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Collecting By Letter

Volume I

By William A. Shryer

With the Assistance of 3500 Experts

Publishers
Business Service Corporation
Detroit, Michigan
1913

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I

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Introduction.

Through the entire fabric of modern business are woven the endless threads of credit and collections. Every business is founded on credit and supported by its collections. In direct proportion to the intelligence and understanding with which these two important features are dealt a business is successful.

Certain principles and rules of action have grown out of the long practice of these important phases of trade, but we may claim for neither that it is an *exact science*. There is no dependable literature on either subject generally available for the average business man, although the Course on Scientific Collections published by The American Collection Service of Detroit covers the entire field exhaustively. This course was designed to train men in the collection agency field, and its distribution has been largely confined to men in this profession. This course may be secured by those interested in possessing a thorough treatment of this important subject, however, and the wealth of its collection instruction will be found highly profitable to any business man.

The purpose of the present volumes is to afford an insight into the principles underlying collections by letter. From time to time various so-called books of collection letters have been published, but aside from containing an unrelated mass of commonplace form letters of doubtful value, few have contained the slightest degree of merit, or commended themselves to the intelligence of the thoughtful or aggressive business man.

The object of this book is a discussion of the subject of collections from a new angle, that of human motives. The average business man views the accounts on his books as falling into two general classifications, and neither view permits the highest degree of efficiency in handling this difficult subject. One view is that of the establishment which considers its accounts as unquestioned assets, as stable as its stock on hand or its cash in bank. The other view is that of the suspicious merchant who looks on his debtors as highwaymen or thieves, to be hounded unmercifully and disciplined accordingly.

The prevailing attitude of mind regarding collections has been entirely too one-sided an affair. The average merchant has failed to consider the problem from its human angle, and has concerned himself with practically no analysis of the mental attitude of the debtor. As a result, many an account that never should have been allowed to become even doubtful has easily developed into the desperate class, from which it has been but a short step to the collection graveyard.

Any assistance that will permit the merchant to understand principles will make easy their application to everyday business needs. This result is sought to be accomplished through examples, rather than through tiresome theory. Hundreds of letters, directly applicable to practically all contingencies of ordinary collection correspondence, will be found carefully arranged in logical sequence, but their most useful purpose is not that of supplying a needed form, but rather a helpful suggestion for the preparation of any special appeal.

In addition to a careful survey of the motives underlying payment of accounts, and the best methods of appealing through them, several chapters have been devoted to an elementary discussion of the most im-

portant mental phases of human action. The closing chapters of the book present an unusual series of tried collection forms. The latter are selected contributions from some 3,500 sources, the skilled representatives of the Co-operative Bureau of The American Collection Service having presented a great number of these successful and result-getting forms. The thanks of the author for the unselfish co-operation of these progressive collection men is extended here, though individual credit for each contribution will be found in its proper place.

The material included in this work is divided into two volumes, that a logical division may be made between that devoted to theory and that outlining actual practice. In the first volume have been included a number of chapters on collection psychology. The collection of any account, aside from legal recoveries, being a strictly mental result, makes an understanding of the most important phases of mental action not only desirable, but also necessary. The treatment of the psychology of collections is necessarily brief. It is hoped that an interest in this exceedingly engrossing subject may be suggested to the reader in a manner to promote a more extensive study of psychology. James' Psychology, the Briefer Course, will be found very easy to understand, and the author's book, Analytical Advertising, contains an exposition of psychology that will be found directly applicable to the needs of any business man.

A portion of the material included in the present volume is taken from articles that have previously appeared in Business Service, The Collection Magazine. Of these selections most have been written by the author. The series of chapters on Collection Defenses were written by him in conjunction with Mr. H. K.

Legg and the chapter on Fraudulent Conveyances was contributed by Mr. Benjamin Levering, of the Chicago Bar. The chapter on the Psychology of Collecting by Personal Demand was written by William Rosenthal Advertising Manager of Business Service Corporation, who has also rendered careful service in arranging and selecting the mass of valuable letters and forms submitted from many quarters.

A number of short articles on definite collection procedure are reproduced in this volume, as their direct value may appeal to a large number of business men daily confronted by problems whose solutions are reflected by the points of several.

Chapter I.

Collection of Retail Accounts by Mail.

Diplomacy, judgment and business intelligence are the biggest factors in successful retail collections by mail. The use of these qualities will enable the merchant to collect his outstanding accounts and do it in such a way as to retain the good-will and trade of his patrons, where the retention of such trade is profitable.

The importance of prompt settlements and keeping accounts in good condition cannot be overestimated, as that detail actually determines the business life of the retailer. We are safe in saying that more retail business failures have resulted from lack of proper attention to collections than from any other reason.

Keeping accounts in good condition means a great deal more than the actual money concerned. It involves the customers' regular trade. It is a well-known fact that when a customer is in arrears on his accounts he will hesitate to come into the merchant's store to purchase more goods. The cordial feeling between the merchant or his sales force and the delinquent is strained. Because of this he will naturally prefer to go to some other store where he will endeavor to open a new account or make his purchases for cash. In this way, the first merchant loses the immediate use of the money, very likely the account itself and the patronage.

To show how this works out, we will cite an actual occurrence which might well be within the experience of any retailer. A haberdasher permitted a patron to

run up a considerable account. For a long time payments were made promptly, but one month he noticed that the account was not checked off as usual. He gave the matter little more than casual attention and let it run along. During this time there was no sign of the purchaser. Statements were sent out regularly but with no response. One day while in another shopping district, the merchant saw his former customer come out of a store with several purchases in his arms. This decided him. He wrote a polite letter to the debtor, requesting him to come into the store for a little talk in connection with his account. He did so several days later. The matter was put up to him in a friendly manner, the haberdasher expressing his surprise at not having seen him for such a long time. The debtor replied that he had not been in because of inability to pay his account and that he had been afraid of being turned down on further purchases. The matter was adjusted by an agreement for weekly payments. In this way the merchant received his money and kept the debtor's trade.

With retail debtors it is not always possible to make precise or definite divisions. In a general way, however, they may be classified somewhat in the following manner: Wage-earners, salaried or business people, and dishonest debtors. Wage-earners are good for their purchases as long as they are employed. Their incomes cease with lack of employment, and the absence of property or other assets means that there is little chance of collecting accounts against them until they again secure employment. It is necessary to give these accounts the closest attention. The credit man should know as closely as possible the days on which they are paid, and if they do not settle up regularly, he should get busy. These accounts should not be allowed

to grow too large, and if there is any tendency toward delinquency they should be stopped.

With such customers, it is advisable to have arrangements for weekly, semi-monthly or monthly settlements, depending on the class of retail business. Statements should be sent promptly in accordance with the arrangement for settlement, and should be followed up quickly if payments are not kept up regularly. Their wages are paid weekly or semi-monthly, and collection letters should be mailed so as to be in their hands on regular pay-days, when they have the money and are best able to pay accounts. If it is known that debtors in this class are paid weekly, the interval between letters may be as short as one week, so as to coincide with pay-days.

The big majority of customers who make up the credit list of the average retail business are of the class commonly considered as well-to-do, are either established in business or hold good salaried positions, and have fair incomes. They are termed as reliable. With such a class there should be more elasticity of treatment. It is their business which affords the merchant his real profit, and he should be very diplomatic in his treatment of them. Statements should be sent on the first of each month, with a notation requesting payment on a certain date. If not paid within thirty days, another should be sent with an accompanying note. The ground should be taken that it has in all probability been overlooked. If no reply is received, a third and fourth letter should follow, each increasing in urgency. The fourth should ask particularly that the debtor call at the office, intimating that further avoidance will result in placing the account in the hands of an attorney or collection agency. In most cases he will call and it will be found that neglect of

payment is due to temporary shortage, in which case the matter can be readily adjusted by a partial payment plan.

Merchants are fond of speaking of absolutely good credit patrons, and are inclined to place too many of their customers in this list. They allow them all sorts of privileges and extensions and cater to them in every possible manner. This is a big mistake, as it will be found that the greatest proportion of credit losses arise from this class of so-called absolutely good customers. Even the very best customers should not be considered as better than ordinarily reliable. It is much better to lose the trade of a few who seek extraordinary credit than to take the chance of pocketing a big loss by being too liberal. The letter treatment of those who are classed as absolutely good should be identical with that accorded the reliable class.

Then there are the dishonest customers who run up a bill with one concern and move to another neighborhood, or another town, open up a new account and carry the same practice through continually. The only protection the merchant has against this class is to be very strict in establishing requirements for the opening of accounts, and to secure good references. Then again, such debtors become listed eventually on the "dead-beat" lists of local retail organizations. In some localities these organizations are doing good work, but in many cases they fail of their primary purpose through inefficient management. Taking all things into consideration, the merchant must depend almost wholly upon his own activities to escape credit losses.

The letters used by the collection department of a retail house may be to a great extent of a form nature, with a personal touch here and there. The writer should formulate them by putting himself as much as

possible in the position of the debtor, writing to the debtor from his own point of view. He should be shown the accommodating attitude of the merchant in opening the account, and that the same spirit will be continued in the matter of settlement, if the debtor will only do his part; that his patronage is deeply appreciated and a continuance hoped for. In final letters, point out the additional trouble and expense that will be caused him should it become necessary to sue, and that it will be difficult for him to obtain credit elsewhere. Replies to letters from debtors should always be strictly personal.

The big point of each and every letter form or special should be that the account *must be* paid; that there is absolutely no way out of it. There must be no negative suggestion that it may not be paid. The firm insistence upon payment must be held before the debtor always, and he must be kept in the mental attitude that recognizes no other course. The letter which lacks in firmness cannot be expected to result in payment, as it does not contain the force necessary to bring action.

Psychological conditions have a more important bearing on retail collections than on any other class, and their influence is more clearly seen. The mental processes are simple, free from complications and more easily traced than in mercantile collections. The reason for this is quite apparent. In mercantile collections the dealings are between organization and organization, and while it is desirable to inject the personal element into these transactions, it is not always possible. With retail collections, it is the merchant or credit man dealing with one person. In thus dealing with one person, it is possible to consider the personal element and therefore the mental attitude. Once the mental attitude of a debtor is ascertained, all that is necessary is

to formulate the proper collection effort in order to secure the money.

These two letters are used by a retail merchant's collection department. Particular attention is directed to the mention of affiliation with the American Collection Service. On account of the prominence of the latter organization in collection matters, such a point is bound to be of great weight in forcing prompt collections.

CREDIT DEPARTMENT

30-Day Notice

Dear Sir:

We have recently become affiliated with The American Collection Service, and it is our desire to report all of our patrons in good standing.

This service is for the scientific protection of business men doing credit business.

We would regret very much to report anyone as not paying.

Respectfully,

Dear Sir:

We regret having to refer to the matter of your account again. We are forced to keep our debtors' accounts in good shape, so that we can discount our own bills in order to do business successfully in this competitive age.

We hesitate to place this bill in the hands of the collection agency, for in such instance we both lose.

Respectfully,

Submitted by B. H. Gholson, Denver, Colo.

Chapter II.

How to Make Mercantile Collections by Mail.

Many business organizations underestimate the importance of the collection department. It should be regarded as one of the biggest wheels of the machine, as it is the factor which ultimately decides the profit or loss of doing business. With the manufacturer, for instance, there are the producing, selling and collection departments, and no one of the three should be subordinated to the others in point of personnel, equipment or attention to details. Just as the producing department is responsible for quality, quantity and cost of product so that it can be marketed at a profit, and the selling department for the judicious handling of the goods, so must the collection force look after the returns which are essential to the profit. The same principle holds true with every mercantile, wholesaling and jobbing organization. The importance of the collection department and its operation require the closest attention to details at all times.

By far the greatest portion of accounts can and should be collected by mail. That this work may produce the best results, however, it is necessary that it be given the same intelligent attention that is exercised in the other departments. The subject must be studied thoroughly. There must be no attempt to lay out an iron-clad system that will govern inflexibly all cases which may arise, making no exceptions for conditions

in special matters. It is not possible to handle all customers alike, and before the method is determined, the collection head should ascertain as closely as possible the conditions under which the merchant is doing business.

Many credit men make a great mistake in the attitude they assume in writing a collection letter. They assume the position of the relentless money-getter; showing plainly that they have no interest in the debtor outside of the dollars and cents which he owes the house. Convince the customer that you have an interest in him, in his business and in his personal and business welfare; that you are trying to be of assistance to him in the settlement of his obligations, that you want to aid him in keeping his affairs on a firm basis. Work in the idea that his past business is appreciated and that future business relations of an extended nature are considered as a matter of course. But point out by inference that the basis of accomplishing these objects is the payment of the account in question.

In all business letter writing throw yourself into the place of the other fellow. In other words, if you are trying to sell goods, put yourself in the place of the prospective purchaser and look at the article from his point of view. In this way you get the arguments for desirability of purchase. Collecting by letter should be treated in the same manner. Put yourself in the debtor's place, showing him from his own point of view why the account should be settled; that it will be better for his business and for the maintenance of his credit standing. If the condition of general business or of the customer's business is such that a reasonable extension should be permitted, do not hesitate to include a suggestion on that basis, or that the payment of a certain amount will enable you to grant

an extension on the balance. Once the customer believes that the house sympathizes with him in his financial difficulties, not alone because of self-interest but from a sincere desire to help him, the greatest obstacle is overcome. Under real human treatment most debtors will be proud of doing their part.

In all transactions with customers, the credit man must not overlook the fact that it is up to him, in a great degree, to handle them in such a manner as to maintain the business relationship on a satisfactory basis. He must conserve the future trade of the debtor. Of course, a certain number of customers will prove such absolutely poor pay, and therefore so unprofitable, that their trade is not desired under any conditions. This can be determined by ordinary business judgment. But with the great majority it is not only desirable but necessary to retain their custom. So it is essentially the duty of the credit man to collect accounts promptly, and do it in such a manner as to keep the good-will and custom of the debtor.

Be dignified always. Never send a letter written in a tone that will indicate you are asking payment as a favor. The house has an absolute right to the money which the customer owes it. Never stoop to petty remarks regarding the debtor's methods or his objects. Such things merely detract from the credit man's personal standing with the debtor, and with influence and prestige impaired his efficiency is reduced greatly. This means less chance of satisfactory settlement. The main essential of every collection letter must be firmness, absolute insistence that the account must be taken care of, and that there is no alternative possible to the debtor. In every letter, special or form, the one central idea upon which everything else depends, is the fact that payment must be made. That should always

be held before the debtor, that he may have absolutely no excuse to defer or overlook settlement.

Form letters are valuable in starting the series, but following letters should be governed by conditions which develop. All should contain as much of the personal element as may be found practicable. The well-equipped credit man should know every possible detail of the customer's business and circumstances. In writing his collection letters he should utilize this information to make his points strike home. The remarks that are based on intimate knowledge will always have more effect than the general appeals of the strictly form letter.

There is only one class, the dishonest customer or "dead-beat" who may be treated with a rigid system. Once his nature is determined, the treatment is quite simple and can be safely and surely applied in every case. There is no necessity for great study or effort, as it resolves itself into the demand for immediate cash. If he does not put up the cash he does not get the goods. It is much better to let him go than to take a chance on the wrong side of the profit and loss account. In handling all other customers, however, tact and diplomacy are required, and in order to apply these qualities intelligently the credit man must possess the knowledge of general and individual conditions secured only by thorough study.

The first collection letter to a customer should be little more than a friendly business note, calling his attention to the account, assuming that it has evidently escaped his customary attention. A letter of this nature cannot help but draw good returns in most cases. If it does not bring action, it will be recognized that a more urgent request is required, which should follow after an interval of about ten days. The third letter,

after an additional ten days have elapsed, should be a plain demand for the money, calling for either full or partial payment. The fourth letter should be a notice that if the account is not taken care of within a certain time limit, it will be placed in the hands of an attorney or collection agency. If the writer considers that it will have a good effect, he may include remarks concerning the inadvisability of permitting the account to go to the length where it will have to be collected through harsh means, causing the debtor additional trouble, expense and the inevitable damage to his credit.

Judgment, sympathetic handling and co-operation will accomplish better results than recourse to force methods, such as the agency or attorney must use. It often happens that merchants are forced into bankruptcy by inadvisable proceedings, causing the loss of a portion if not the entire account, when by the use of better judgment the credit man could secure payment by handling the debtor properly through extensions or instalment payments.

Do not neglect the personal element in handling mercantile collections. In the complex developments of business, the error of overlooking the importance of personality often occurs. This should be guarded against. It is the knowledge that a house takes a deep personal interest in the business of the customer, that there is one department, or better still, one man who takes an interest in his business and in his own financial standing and improvement, that creates the sought-for business loyalty on the part of the customer for the house, makes his good will a thing of permanence and value, maintains his account in good shape and keeps his trade. To illustrate how this works out, the following case will be of interest :

The proprietor of a New York City hat factory, on instructing a new salesman as to prospects, mentioned a certain Boston merchant who conducted an exclusive men's hat store. Without giving all the facts, he intimated that some years ago this man had purchased large quantities of their goods, but there had been a little difficulty and his entire business had been lost. The new man, keen to do business, called on this merchant. He was received politely, but told in the first words that to show his goods would be a waste of time for both. Asking why, he was given these facts: When the merchant first started in business he bought practically all of his goods from the salesman's factory. He continued to do business with them in a satisfactory manner, discounting the incidents that were bound to arise now and then. One season, a new competitor starting in the same neighborhood, his business fell off badly, he had his stock on his hands and the bills fell due all in a bunch. Notes seemed to come in almost every mail from the credit man, demanding payment and making dire threats. To these he replied that he had not the money and the house would have to wait. Then the credit man stormed in and threatened bankruptcy proceedings. Knowing that he was in a tight fix, and rather than see his business smashed, he secured the consent of his wife to sell a piece of property held in her own name. Being a forced sale, the real estate was disposed of at a sacrifice in value, but it was necessary to save the business. He passed the crisis. He stopped all purchases from that house and transferred his business to a Danbury hatter. When the panic of 1907 made itself felt, he was once more in a serious position on account of the expansion of his business. The manufacturer's position was not so difficult, as he simply cut down production. But it was

different with the stocked-up retailer. Bills fell due, as they always will, but there was no money to meet them. A letter was received from the collection head asking why the money was not forthcoming, and he explained the situation. This brought a personal note by first mail assuring the merchant that the manufacturer would allow every reasonable extension, and that he wanted to help him in every possible way. Through his co-operation he weathered the storm and re-established his business on an absolutely firm footing. "They've had all the business I could give them since that time, and they'll keep it, too," concluded the merchant.

Now it must be admitted that some credit men rarely appear to be human beings. Should you be one of these misjudged individuals, appear to be as really human as you are. It is quite possible to be human and still be a good collector.

The following series of four letters is used by the collection department of a distilling concern which does a country-wide business. The first letter, which is very good, containing a dignified business appeal expressed in the right manner, is sent after statements have failed to elicit attention. The second, as will be noted, is shorter and of an urgent nature. The third gives notice of draft on a certain date, and the fourth is written upon the return of the draft unpaid. The entire series is good, and the firm has been using it with very satisfactory results. The letters are written on the regular letter heads, with the following rubber-stamped notation: "COLLECTION DEPARTMENT, Record No.———. Kindly refer to above number when you reply."

Dear Sir:

You undoubtedly have our statements somewhere about your desk, and have neglected sending us your remittance for the last bill of goods we shipped you. But this is not worrying us, as this will sometimes happen with the best of us, especially when you are busy and have other matters to look after.

As your account is now long overdue, we would appreciate it, therefore, if you will kindly return the inclosed bill to be receipted during the next few days. We are right in the midst of our busiest season, and you don't know how these little matters help us out.

Yours truly,

Dear Sir:

We are inclosing duplicate statement of your unpaid account, which has been due for some time. Will you kindly send us check for this, or give us some idea when we might depend upon your remittance. We will appreciate an early reply.

Yours truly,

Dear Sir:

Your attention has twice been called to your unpaid account for \$——, but for some reason or other you do not reply to our letters.

Our terms, as you know, Mr. ———, are thirty days, and we can not allow a longer extension unless by special arrangement. May we expect your remittance by return mail?

Should we have no advice from you by the —— we will draw on you, and if you have not remitted in the meantime kindly provide for our draft before it arrives, or remit us direct, as you may prefer.

Yours truly,

Dear Sir:

We drew on you on the — through The ——— for \$——, and our draft was returned endorsed ———.

We wrote you about this on the —, and are surprised, under the circumstances, that we have not heard from you at all regarding the matter. The account is not large, and with a concern of your reported resources it is difficult for us to understand why you should cause us this unnecessary attention. We know it is simply being neglected.

Please let us hear from you promptly, so that we may not have to write you again.

Yours truly,

(Submitted by E. Brown, Dayton, Ohio.)

Chapter III.

How to Collect Instalment Accounts.

The same general underlying principles which govern retail collections may be applied to instalment collections. Some changes are necessary, however, in the manner of handling these accounts, but the changes concern themselves principally with the details. While prompt collections are essential to profit and success in any line of business, they are absolutely vital in the operation of any house that sells goods on the instalment basis. This covers instalment departments as well as stores that carry on a purely instalment business.

In order to operate an instalment business successfully, it is necessary that the customers be handled in a manner that will accomplish two equally important objects—to keep him prompt in his payments and satisfied with the goods purchased. The failure to do either means a loss. Where the goods are sold on contract, which is generally the case, they may be seized by the creditor, but that is a bootless proceeding as the goods are almost always used beyond the possibility of resale excepting at a large loss. So the only way to do an instalment business on a profitable scale is to maintain prompt collections and satisfaction throughout. These two are so closely related as to be inseparably dependent upon each other.

It has been stated that in instalment business the collection department should be regarded as the most important of the entire organization. This view is held

by a good many. Without disparaging the importance of the collection department, however, we believe that this view is slightly erroneous, and we mention it merely to emphasize a certain point that is often ignored. That department should be considered on an equal plane with the selling organization. The argument used by those who regard the collection department as of principal importance is that the people who purchase on instalment plans are seeking special methods of payment because, in many instances they have not the funds to purchase for cash, and are therefore so grateful that no special selling energy is required. This is not the real situation, however. In every line of business where payment may be made on the instalment basis, the competition during the past few years has become so keen that advertising and selling skill are as greatly required as in cash retail business. So without in any way detracting from the importance of the collection department, we can use the same analogy referred to under other heads of collecting—the equality of selling, producing or buying, and collecting. Ultimate success and profit require the same careful attention to each of these.

It is likewise essential that the collection department handle instalment customers with tact, diplomacy and good judgment. In an earlier paragraph, it was stated that the customer should be kept paying promptly and satisfied with the goods purchased. There is still another and equally important object to be kept in mind. His future patronage must be reckoned with. He must be kept a regular customer of the store. With the instalment buyer the question of future trade is concerned just as with any other class and future trade, or a continuation of patronage, is a very big factor. And if he is not treated right by one store he will go

to another, as in every city and town of any size there will be found several instalment houses. This method of doing business is on the increase. We can remember when household furnishers were practically the only class of retailers who sold on the instalment plan. Now we see the piano houses, clothing merchants, catering to men, women and children, bicycle and motorcycle dealers, publishing houses, jewelers and many others. Physicians take payment for their services in weekly or monthly sums. Practically any article of value may be purchased on instalments. In the real estate business vacant lots are sold on the small payment plan. And so we could go on up and down the line.

The majority of persons who purchase articles on the instalment plan are admittedly those who have not the ready funds to make cash payment, as it is a generally understood fact that instalment prices are higher than cash. This is quite reasonable. Then again, there are many who wish to adjust their expenses and incomes in this way. The psychology of habit plays an important part in creating and maintaining instalment purchasers. Many people who buy goods on this plan find it so convenient and get such fair treatment that they fall into the habit of purchasing everything possible on that basis, feeling that the convenience overcomes the contrary arguments.

In making instalment collections, a successful mail system is even more necessary than in other classes of collections. Because of the small size of the payments and generally scattered locations, it is much less expensive to secure them through letters than through personal collectors. In a general way, of course, mail collecting is bound to be cheaper than personal work,

and this condition applies to instalment collecting with more than ordinary force.

In this line of work, it is practicable to use forms to a greater extent than for other collections, but it should be understood that strictly form work is intended for the first-time purchaser only. With the regular customer, it is possible to bring into play a knowledge of the customer's circumstances secured from former dealings and to use it in writing letters of a personal nature. As in all collection letter writing, the collector must place himself in the debtor's position, so as to realize the conditions thoroughly, seeing more clearly the argument best calculated to move him.

It will be admitted without question that the reasons of the house, from its own view-point, will be quite different from those of the debtor. He cannot be moved by arguments which do not concern him directly, but he will respond to those arguments which cover the question from his own view-point.

All who have ever conducted instalment businesses will recognize the fact that once a debtor is permitted to pass a payment, it is doubly hard to get him to pay the second or subsequent instalments, for the simple reason that it is just twice as difficult for him to meet the double or triple payments as the single payment. Do not allow these payments to accumulate, but get busy immediately the same day on which payment falls due, if it is seen by the end of the day that the debtor will not be in the office. It is even advisable to send notices beforehand of payments falling due, timing them so as to be in the debtor's hands one day before the due date. It is good policy to arrange subsequent payments, after the initial instalment, to fall on the customer's pay-days, as there is a greatly increased

chance of having him pay promptly when he has the necessary means right in his hands.

The importance of arranging payments and, in general, all efforts to secure collections to coincide with the customer's pay-days is often overlooked by credit men. It must be accepted as a fact that the great majority of people are honest and want to pay all their obligations. If this was not so, it would be impossible for business to be carried on at all, as every one would be suspicious of everybody else's motives. There would be an absolute absence of that confidence which is the basis of all business dealings, and particularly of credit transactions. Recognizing the truth of these statements, we see that most people are honestly desirous of meeting their obligations and are prevented from carrying out their intention by poor management, miscalculation, improvidence, carelessness, or any one of many other causes. Their pay-days, therefore, when they are in funds, would be the most likely time to have them take care of instalments on purchases.

For the first-time purchaser, a system which uses about four letters may be arranged. The first, mailed so as to reach the debtor about a day before the first payment falls due, should contain the hope that the goods purchased are satisfactory in every way, making a diplomatic suggestion as to further seasonable purchases, mentioning a special sale item or two. By way of passing, in a tactful manner, remind him when the payment falls due, and that you are calling it to his attention as a matter of convenience to him. The results of such a letter should be very good, both as to collections and sales. If payment is not received promptly, the second letter should be sent out at the end of the same day payment falls due, or the next morning, should there be a possibility of a remittance being re-

ceived in the morning mail. This should merely state the fact of payment falling due and suggest that the debtor act immediately, that the instalment may not fall in arrears. If this does not bring in the debtor in several days, it can be recognized that the case requires letters of a more urgent nature, and the third and fourth, following at intervals of about one week, coinciding with pay-days, as above suggested, should be more imperative. If replies are received during either interval, or information is at hand regarding the debtor, it is advisable to send personal letters rather than forms. The fourth letter should contain a veiled hint that if prompt action is not secured, it will be necessary to take advantage of the force clause in the contract or arrangement. Do not play on this point, however. It is better to make it a sort of after-thought, so that the debtor will recognize the truth of your statement that you prefer an amicable settlement with him. Make diplomacy the guide of every letter, pointing out the convenience of the instalment system, showing how necessary it is for the debtor to make his payments so as to be entitled to a continuation of that privilege, and that it would be poor judgment on his part to do anything to hurt his instalment credit in the slightest.

After the fourth letter it is necessary for the collector to decide upon further procedure in accordance with the situation. It may be apparent that any further effort on his part will bring no response, and in that case he must avail himself of the protection in the force clauses. This is absolutely the last resort, to be avoided if at all possible. In some cases where a favorable result may be reasonably expected, a plan of easier payments than originally arranged, a small cash discount on accumulated payments or entire balance, or a premium, may be offered. This should be done in only ex-

treme cases, and in making the offer merely point out that you do it in order to save the debtor the inconvenience of being deprived of the goods. In allowing these special privileges, use great moderation. It would not do to let the debtor know that by delaying payments he could expect a premium, a discount or easier terms. The best plan, especially considering that it is desired to make them regular customers, is to keep them to the rigid line of payment. It is possible to spoil an otherwise good customer by injudicious special advantages.

Of the entire problem of instalment collections, the question of special privileges, more than any other angle, calls for the exercise of discriminating judgment. This was clearly shown by the attitude of a credit customer of a Chicago furniture house. His first purchase consisted of some parlor and dining room furniture. Toward the end of his payments, a slight local business depression set in, and in common with others he resolved to "tighten up" a little on his expenditures. So he let several payments pass, giving the credit man the excuse that he was "hard up." The house began to feel the effects of the situation after several weeks, and in order to relieve a condition that was approaching the desperate, decided to allow a liberal discount on all accumulated payments and balances and regular accounts, to all instalment purchasers on their books. This persuaded many of their customers, among whom was the one in question, to pay up. About a year later, he purchased a high-priced baseburner on instalments. The first few payments marked him as a model of punctuality. Then they stopped. The credit man put the regular system to work on him without results, and finally wrote a little heart-to-heart note, the tone of which indicated surprise at his failure to keep up payments, requesting him to call at the store

the following Saturday afternoon. The debtor called and was conducted to the credit man. The latter, through deftly turning the conversation, ascertained that the customer was calculating upon the offer of another discount. Once this was found out, he was quickly disabused of the idea, the credit man pointing out the special conditions which occasioned the first offer, and convinced him that there was no possibility of a repetition. The debtor had come well prepared with money, hoping to take up the entire balance at a saving, but before he left, he had paid up all the accumulated instalments including the one due that Saturday.

With the regular customer who has previously carried out one or more instalment purchases satisfactorily, it is necessary to use personal treatment entirely after the first one or two form letters notifying him of delinquency. In the greater number of cases where such debtors are concerned, it may be taken for granted that non-payment is due to having overlooked the matter, and a simple notice should be sufficient to bring in the money. It may also happen that after making the first payments on time the debtor grows careless, but a short note impressing him with the desirability of keeping strictly to the terms of the arrangement will bring him to the mark.

In closing this section, we lay particular stress upon the necessity for having all collection letters as short and concise as possible. The use of long drawn out letters will often defeat their purpose. The best letters are short, to the point and decisive in tone. The language used should never depart from the ordinary, everyday business English. This is of particular importance in instalment collections, as this class of purchasers, more than any other, should be approached in

simple manner. The reason for this is obvious. Do not make it necessary for him to study out intricately-worked phrases or fancy rhetorical flourishes. Study over the letters yourself to see if their meaning is ambiguous. Plain, concise, easily-understood letters are the most effective in every case

The three-letter series shown below is used by a credit dealer in clothing, furniture and household goods. Their use and effectiveness are best described in the words of the credit manager: "We use these forms when it has been discovered that debtor pays no attention to statements regarding his debt. What we ask of a customer who opens an account is a promise to pay the bill in a certain manner and at certain dates agreed upon. What we aim at, when beginning our correspondence regarding the past due payments, is to obtain a definite promise when the past due payments may be expected. If we can get, from our first or second letter, the debtor's definite promise through the mail, we figure it is easier to get after him in case he should fail to fulfill his promise given through the mail in response to one of our letters, by referring directly to the date of same and his own words in that letter. Therefore, the trick lies in getting him to answer your correspondence, and we have found that the following forms will bring the answer seven times out of ten."

1

Dear Sir:

You owe us \$5.00 on an account for clothing.
The payment became due Nov. 1st.

We fully appreciate that this item is very inconsequential from your point of view, but it would really help us greatly if you would take care of this obligation, as agreed, not because of the

amount involved so much as in the handling which each one of these small accounts requires, when payments are not kept up.

With thanks for this courtesy and for your valued patronage, we are,

Yours respectfully,

2

Dear Sir:

You know from our letter of a week ago that the payment on your account with us is now considerably past due. The agreement at the time of purchase was \$5.00 per month.

We feel that our former pleasant relations deserve at least an answer, explaining why this agreement on your part has not been kept.

May we hear from you today?

Yours respectfully,

3

Dear Sir:

The enclosed statement shows balance and payment due on your account. You have been urged two or three times before to do as you agreed in this matter.

We were very much pleased with reports on your credit rating at the time you opened the account, a fact which makes this disappointment all the more painful.

Would it not be better and more business-like to write us a letter or call at our office and tell us why you have not paid or why you can't pay just at present, than to have a collector find it out through your neighbors and friends?

Write us a note on the back of this letter TODAY and use the enclosed stamped return envelope for your convenience.

Yours very truly,

(Submitted by F. E. Wilson, Credit Manager
Gately Supply Co., Superior Wis.)

Chapter IV.

How to Collect Physicians' Accounts.

"Yes, I have considerable trouble with my accounts. In the first place, I find it so very hard to keep any accurate record of them, and in the second place, it seems I don't go after my patients in the right way. Anyway, I am sure that I have lost a pile of money through poor collections. Can't tell you just exactly how much, because you see I haven't the records to show outside of a few jottings on my diary and a few miscellaneous cards. No, I don't keep after my patients who owe me money. I can't call on them personally because I'm so busy. I tried to collect the money by writing letters, but somehow or other I didn't use the right kind and didn't follow them up persistently. I have lost a lot of money on my accounts."

And when we asked why this should be the case, he replied, in a hesitating manner, "I'm a professional man and these little business matters don't come within the range of my training. I don't go astray on big business deals that come up now and then, but the details of looking after the accounts and their collection seem to get all muddled up."

Before writing this chapter, we made a personal and letter canvass of a large list of physicians, in order to verify the conclusions we had reached from a long experience in handling their accounts. Physicians and other professional men, more than any other class who

depend upon collections and payments for financial success, are notoriously backward in handling these matters. As a result, there is not a single physician in the country who has not lost an immense amount of money through poor collections. Likewise, every physician has large masses of accounts outstanding which are perfectly good, but which will inevitably be lost through inattention and lack of businesslike treatment. In making our canvass we sought first to ascertain the exact conditions, and then to learn why. The two replies given above represent the composite answer.

Following are the facts of a case which illustrates the lack of care on the part of a surgeon in entering and handling his accounts. A young man was taking treatment from a certain physician for an internal trouble, which baffled all attempts at accurate diagnosis of the cause, and which for a considerable time failed to respond to the remedies prescribed. The physician recommended an operation by a surgeon of that town who made a specialty of such matters. The operation was performed and the patient told that a bill for the service would be sent to him through his physician. After waiting a reasonable length of time without receiving a bill, he went to the physician, who said he would take up the matter with the surgeon. Still no bill appeared, and it was only after four distinct inquiries that a statement was rendered. It was paid promptly. The patient in this instance was more than ordinarily honest, or the fee would have been lost to the surgeon. This is by no means an extreme case. It was picked at random from a mass of data submitted along this line.

The average physician takes unprofitable refuge in the fact that he is a professional man and therefore unused to the details of the business matters involved

through account collections. In view of the enormous losses sustained we cannot regard it as a good excuse. Certainly the amount of money at stake requires closer attention and justifies an extra effort that may be made on the part of the physician to familiarize himself with the phases of the subject which apply to his accounts with particular force. True, physicians often make use of personal collectors, who represent organizations of physicians, and they also use the services of other professional collectors. This service is costly and on account of the methods used there is great waste in making collections and in the loss of patients. The ordinary collector in the employ of the physician has but one object in view, which is to get the money, or as much of it as he can. He has little thought of treating the patient in a way that will hold him to the physician, simply because he has no financial interest in that object. As a result, when an account is given over to the attention of the collector it means generally that the debtor is lost as a patient.

The point has been made in previous chapters that the success of a business depended absolutely upon the "come-again" customer, and that the "one-time" purchaser never helped the merchant pile up a profit. There can certainly be no good reason why the same should not hold true with the physician's practice. If he had to depend upon patients who stop with a single treatment, or a single course of treatment, rather, he might as well pull in his shingle. No profitable practice can be built up in that manner. The man who becomes a first patient must be numbered as one who will never think of calling upon any other doctor when in need of medical service. And upon the manner of handling such a patient, if he should become a debtor,

depends to a great extent the success or profitableness of the practice.

There is another important point that should not be lost sight of. Many doctors and their collectors are too willing and even anxious to allow excessive discounts from their accounts in order to secure payment and close them up. Physicians' service is not of a tangible nature. It does not represent a concrete article of commerce. The charge is figured at a sum compatible with the severity of the ailment, the number of calls, the standing of the physician and his experience with that particular disease. The specialist on a certain ailment, for instance, will make a charge several times that of the average practitioner, who might render equally efficacious treatment—at least in the mind of the patient, after he has been cured. The intangible nature of this class of service gives the patient some ground, in his opinion, for disputing the amount charged, and rather than have any difficulty or altercation, the physician or his collector slices off a liberal discount. We can see no good or valid reason for this practice, and it is done merely because the accounts are not handled in a businesslike manner. Of course, it may be necessary to allow a discount, as a last resort in the collection of an account against an obdurate debtor, but the practice of doing so should not be general, but rather the exception.

In accordance with our recommendations to business houses, we bring the same general reasoning to the assistance of physicians. Their absolute necessity is a letter-collecting system, which will include a simple arrangement for keeping records. By reducing everything to the simplest terms, it will obviate any necessity for the physician himself to take time from his duties for either keeping records or writing letters, as

these matters can be handled easily by an office or reception-room girl with typewriting experience. The record system should be so simple that with a few days' training any girl should be enabled to handle the details and to keep the collections in proper running routine. She can also handle the debtors who come in person to the office instead of replying or remitting through the mail. The physician himself need give the work no more than casual attention, and then only to see how the returns are coming in and that the system is running smoothly.

The office equipment necessary to handle the work need not be more than the simplest of record and filing devices, which may be purchased from any office outfitter at a small outlay.

As soon as the account is created and requires attention, the physician must hand it to his assistant, who will make out the proper record notations; at the same time sending out the first letter of the series. Each time a letter is written the proper notation should be made upon the record of the account, so that a glance will show the exact status of the matter. Should it be necessary that a certain account be given attention on a certain date, such as a promise for payment or some special action which is called for, it should be placed in a file provided for that purpose.

The series of letters should be not more than four in number, and written at intervals of ten days. The first should be but little more than a formal note taking the stand that the account has been overlooked and that your calling attention to it will result in settlement. The second and third should be of a more urgent nature. If these fail to draw a settlement or response, a fourth should follow stating that unless payment is made by a certain date, the matter will be placed in the

hands of the collection agency or attorney with instructions to take whatever action may be necessary to force settlement.

This line of action is advised for the physician who has an office himself, but in other instances, where several physicians occupy a suite, further action may be taken through joint "miniature" collection agency methods. This phase is described in Chapter XXI of Volume II.

Regular form letters will be found suitable and effective for the series, and in order to save time and detail imitation typewritten letters are advised. Blanks may be allowed for filling in name, address, date and amount, but great care must be exercised to secure a perfect match, as otherwise much of their effectiveness will be lost. Replies to letters from debtors must be dictated personally. It will be found, however, that many of the replies will be of the same general nature, calling for similar treatment, and form letters may be used for this purpose as well.

Appended to this Chapter are eight model letters which will be found helpful in writing letters and in formulating the regular series. For the latter we advise the choice of four which will most closely correspond to the conditions which govern the practice or locality.

A word in reference to suits in connection with the collection of this class of accounts. The debtor may claim that nothing should be paid because the services in question, in his own mind, were not efficacious. It should be pointed out to the debtor that if payment is refused, legal action will be taken, and in that event, a judgment will most certainly be rendered in favor of the creditor. This is due to the fact that the courts will not question the efficacy of a physician's work, but

will invariably take for granted his statement in regard to his services. The courts will also take without question his statements regarding number of calls, based on his memoranda, unless the debtor can show positively by his own records that the statement is not correct. When a physician appears in court he always has the advantage over a debtor in that the efficacy and value of his services are seldom questioned.

Likewise, the physician has an advantage over the general class of creditors. Should a merchant, for instance, bring suit to recover the value of a piece of goods, and payment, or full payment, be contested by the debtor, claiming that the value of goods had been misrepresented, or that they were faulty, it is customary to call in the testimony of men in the same line of business. Each side, if it desires, may present its witnesses on the point of value. With the physician, he himself is the sole arbiter as to the efficacy of his service—analagous to the value of the goods of the merchant.

But do not overlook the fact that suit, through attorney or collector, or through your own efforts, is to be attempted only as a last resort and when all other efforts fail. The patient who has to be sued will never come back to you for treatment, and he will do as much as he can to injure you with other people. Furthermore, it will require your attendance in court, with your books to prove your claim, and as this time must be taken from your practice, it will be found quite costly.

The record and letter system recommended in this chapter are effective and practicable in every way, and their use will result in large savings to physicians. This chapter, however, would not be complete without a word of caution. The letter system, if successful and

profitable results are desired, must be followed faithfully and carefully. The requirements are simple and easily handled, and with the details reduced to the minimum there need be no difficulty in keeping the system in effective running order.

Dear Sir:

My bill for \$14.00 must have been overlooked by you. Should the oversight have been mine, this will serve as both an apology and a reminder.

When you consider that practically all of a physician's work is on credit, you can appreciate the necessity of my collecting promptly, for as you know, expenses never stop, even for a doctor.

I will appreciate your immediate remittance.

Yours respectfully,

Dear Sir:

I find my patients as human as the rest. If the delays doctors experience may be considered reliable guides, every one seems to feel justified in "putting off the doctor."

I think you will appreciate the injustice of this attitude when I assure you that my grocer and butcher are just as businesslike as yours, and expect their money from me as promptly as I have a right to expect mine from every patient. Please bear this in mind on future occasions, rectifying your present delinquency by an immediate check for \$24.00, accepting my thanks in advance for it.

Yours respectfully,

Dear Sir:

I can think of no possible reason for your delay in remitting for services rendered you two months ago. I do not like to feel that you are consciously neglecting the payment, and yet can hardly believe there is any just cause for dissatisfaction with the services so promptly rendered when you most needed them.

Kindly let me hear from you should there be the slightest cause for further delay, and in the absence of such a reason mail me a check for \$14.00, if you please.

Yours respectfully,

Dear Sir:

Some of our patients are prone to hold two very mistaken ideas.

One is, that a doctor's bill is not a "bad debt" until it is about a year and a half old.

The other, that a doctor has no business sense, and will wait forever for his money.

The attitude of some doctors may reflect some justification for such ideas. Mine doesn't. I work faithfully and consistently for my money, and earn it quite as fully as you do yours. I am therefore entitled to it as promptly as you are entitled to yours, and I see no reason why I should not be perfectly businesslike about collecting it.

Your bill of \$43.00 should have been paid last month. It must be paid this month, or I will be under the regrettable necessity of taking proper steps to enforce its payment, which I trust you will avoid by an immediate remittance.

Yours respectfully,

Dear Sir:

There is some talk of the doctors protecting themselves by issuing an "undesirable patient list." I am not favorable to any such idea, but the necessity for it seems to reflect harshly on you as well as other tardy patients in this city.

Your bill of \$54.00 should have been paid me three months ago, and I will expect to secure a material payment from you by day after tomorrow. I think I have waited quite long enough. I think a slight reflection on your part will be as convincing to you as it is to me.

Please make it unnecessary for me to take any steps likely to be regretted by you later, and mail me a check as soon as you receive this letter.

Yours respectfully,

Dear Sir:

My bill against you is exactly \$34.50.

It has been due exactly three months and two days.

Your non-payment places you in an undesirable position, exactly as would the failure to pay your grocer.

Any continued procrastination simply makes matters worse—for both of us.

I have therefore decided to wait exactly ten

days more. After that date any added costs or embarrassment to you will be no one's fault but yours. I think it is unnecessary for me to deal with the question in a more definite manner. I will expect an immediate payment.

Yours respectfully,

Dear Sir:

Your obligation for services must be settled.

I do not like taking time from my practice to appear as a witness in any Justice Court, but I like less to feel that any patient of mine would take advantage of any such dislike, in order to keep me waiting for my money.

Unless, therefore, I receive a check for \$62 by May 10th, at the close of my office hours at 3 p. m., I will instruct my agent to institute the necessary process to enforce immediate recovery. I hope you will make any such unpleasant steps unnecessary.

Yours respectfully,

Dear Sir:

I have a friend who is a lawyer. He is also a patient, but he never owes me any money. I submitted to him a list of patients who have owed me for over three months. Your bill of \$26 was among them.

I am advised by him to place every claim in judgment, should any remain unpaid by Tuesday, March 12th. I have decided to take his advice.

This will be a formal notification to you that to avoid the embarrassment of such a suit, and the costs such a proceeding will mean, your bill must be paid at my office by 3 p. m., Tuesday, March 12. I trust your name is crossed off long before that time.

Yours respectfully,

Chapter V.

Collection Profit for Attorneys.

In Detroit there is a young attorney, whose practice is now about three years old. At the beginning his work consisted mainly of conveyancing, drawing wills and various documentary forms, and in looking after small cases for a neighborhood clientage. During the course of this work he was given a few small bills by business clients, which he set about to collect along the usual lines.

The results, however, showed up quickly and afforded him good commissions. This brought home the lucrative possibilities of collection work and he made a special point of soliciting accounts for his clients, who were steadily increasing in number. Developing his collection department he proceeded to solicit generally and at the present time has an excellent legal practice, as well as a most remunerative collection department. The latter keeps three assistants constantly engaged and produces a big return. In fact, he traces some of his most important cases to connections made through his collection work. This has all been accomplished during the past few years.

In another western city we know of another firm that has built up one of the largest and most profitable collection departments in the country within the past few years. This firm is well known as one of the foremost forwarders of foreign business and handles also a large local business. The department itself was started in a small way, and as soon as the possibilities

were fully appreciated it was placed under the personal charge of one of the members of the firm. Its progress and development have since been continuous and rapid and the collection department alone does a tremendous business.

Members of the legal fraternity the country over are prone to overlook the full possibilities for profit and development in connection with the collection of accounts. Many attorneys are opposed on ethical grounds to the vigorous development of collection departments. The ethics of the profession are generally construed as to forbid the soliciting of business. Their collection work is accordingly limited to the few accounts which stray in (we use the phrase advisedly) now and then from their regular law clients. The subject of legal ethics as applied to collection development could hardly be discussed within the limited scope of this chapter. It will suffice to remark that the modern lawyer who has rightfully assumed a position as right-hand counselor to the business man, should be his aide in all directions, which must include a service on accounts. Not only can the lawyer be of inestimable value to his business clients in collection matters, but it must surely lead to a furtherance of that bond of confidence and intimate service so earnestly desired.

The entire situation resolves itself into the following sum and substance: The evolution of modern business has placed a big opportunity before the attorney in the collection line and he has failed, because of various reasons, to either recognize its importance, or to move ahead sufficiently to give it proper handling. If he, as a business adviser, can see or be made to see the opportunity in this legitimate branch of his work, and if he will adopt the necessary simple, efficient methods, he can secure the business and the benefits

which naturally inhere. These benefits are not limited to immediate results only—they include a deeper and more confidential relation between client and attorney, and the well organized collection department, in its ultimate development, will prove a productive feeder for the regular law practice.

Collection business is roughly divided under two headings—local, or city business, and foreign, or outside business. Local business may be secured from local concerns through personal solicitation, or it may come unsolicited. The collections now handled by attorneys are unsolicited, consisting of a small number of accounts given them by their legal clients. This volume of business could be increased many times by regularly soliciting those clients. The line of action for the attorney is to go energetically after this business. The start may be made with his own clients. If he does not wish to make the solicitation himself, feeling bound by an over-nice ethical sense, he may secure the services of a solicitor. The latter may be placed on a commission or salary basis. This solicitor, representing the collection department and backed by the prestige of the attorney's legal connection with the firm, will have ready access to the man who has charge of accounts. He will be trained to lay intelligently before the prospect the advantages of the attorney's collection department and should line up business readily. While the legal clientage of the average practitioner will afford enough collection business to keep the department in profitable operation, the work can be extended to cover other firms generally.

For outside business, representation in well-established law lists will be found valuable. There are a considerable number of these lists, which are held in high regard. Representation may be purchased upon

either an exclusive or general basis, according to the policy of the publishers. Rates are governed by size of space and circulation. The lists are used by attorneys throughout the country to secure correspondents at other points for general legal business, as well as for collections, and large forwarders of accounts use them for forwarding purposes. At the conclusion of this chapter we give the names and addresses of a number of forwarding lists. This does not comprise all that are published; but it gives the very best of them. Rates and other information regarding listing will be cheerfully furnished by the publishers upon application.

The attorney will find law lists suitable for two purposes: By securing representation therein, he places himself in line for business, both legal and collection, from points throughout the country. He can also secure good service on accounts forwarded to other representatives at various places. This arrangement, moreover, will enable him to lay before the prospective collection client the essential fact of his connection with a chain of efficient forwarders, thoroughly covering the country.

Local collections are made through two channels—personal demand and mail. The mail system of collections is not only more attractive, but is likewise more profitable than the personal demand method. The two-cent stamp is a good deal cheaper than the services of a collector, and a letter will always be delivered and reach its target, while the personal collector may find it necessary to call upon the debtor many times before he can even get to him. A regular series of form letters should be used, not less than four in number. The first should be of a mild nature, assuming the attitude of an adjuster between creditor and

debtor. Each additional letter of the series should take on a stronger tone, the last giving definite notice of legal proceedings. Attorneys are too much inclined to mention legal proceedings at the very outset, but this is not conducive to good results, as it creates a combative spirit on the part of the debtor. This is especially true if the latter is disposed to be stubborn. It is more profitable to both collector and client to collect accounts without recourse to legal measures.

In relation to accounts against debtors located in other cities, at least two attempts to collect should be made by letter. Should these fail to elicit a favorable response, debtor should be drawn on through draft. If settlement is still denied, the account should be placed in the hands of a local attorney, the name being taken from any of the law lists above referred to.

In all forwarding business there is a generally recognized division of commissions. The attorney making the actual collection retains two-thirds of the commission, while the forwarder earns one-third. In sending business to a representative, it is well to mention the law list from which his name was taken, in order to insure careful service and secure to the forwarder the guarantees afforded by the publisher. Some publishers furnish a quantity of stubs to be attached to accounts forwarded in this manner.

So far as the office part of the work is concerned, this need not be intricate, and by reducing the various details to smooth routine, it can be taken care of without any great expenditure of time. Each claim and all the data referring to it should be filed in such a manner that it may be instantly located, and also with a view of regularity in applying the system of letters upon each. The claims which are being sued should be kept in a separate file, as well as those which are

being investigated preparatory to suit. We lay particular stress upon the requirement of accurate filing, and, furthermore, no matter what system or systems may be decided upon, the most painstaking attention must be given at all times. In this way only can the various claims be maintained in their proper places, so as to insure the necessary treatment for each.

While a certain portion of the claims must have individual treatment and must, therefore, be kept apart for personal handling, the greater number will so closely resemble each other as to require the same treatment and necessarily the same form letters. This will make it convenient, as well as economical, to have quantities of each general form multigraphed, with blanks allowed for filling in date, names and amounts. The process of multigraphing has reached such a high state of excellence as to make it almost impossible for the average recipient of a letter to detect the imitation from the genuine, when care is exercised in filling in.

The extra expense for help or equipment need not be very great, and in many cases there will be no additional expense whatever involved. Every attorney has a clerk and stenographer, or one assistant who answers the purposes of both. After personally acquainting this assistant with the required duties, the work may be placed in his charge, under the general supervision of the attorney himself. If the details of the legal practice already occupy the full time of the office staff, an additional assistant may be secured at a moderate salary. With proper instruction and supervision, any intelligent person will be able to readily grasp the salient points of collection work to a sufficient degree to attain a fair proficiency. The inside work, such as making files, keeping them in order, looking after the letters, etc., can be reduced to a system which will make

it comparatively simple. For the outside work, such as soliciting, an experienced solicitor can be secured through a newspaper advertisement, or the attorney himself may look after this portion of the business, and a solicitor hired when the development of the department justifies the addition. The same would apply generally to the services of a personal collector.

About the only necessary equipment consists of a typewriter, a telephone, a small filing system and a supply of stationery. Every attorney has a typewriter and telephone, to begin with. The necessary filing system may be purchased at small cost, if indeed he has not unused devices that have been outgrown by his legal filing necessities. He may use his regular stationery; he may have it imprinted to indicate a separate collection department, or he may operate the collection department as a separate entity, under a general title. This can be decided according to the general situation and personal desire and judgment.

As the claims comes into the office, they should receive a personal examination by the attorney himself, in order to ascertain those which require individual attention. By far the greater number, however, will be so much alike in the main essentials as to be collectable under the regular systematic treatment, and will call for little, if any, further personal attention.

There is not an attorney in the country who cannot appreciably enlarge his income through collections. Not only can this be accomplished, but he will find that his regular practice will grow sympathetically, as the vigorous development of his collection department will bring him into close touch with business men who may become his law clients. In order to achieve this result, however, the attorney must discard the narrow viewpoint which has formerly governed his attitude toward collections.

Forwarding Lists.

The American Collection Service, 1000 King Bldg.,
Detroit, Mich.

The Co-operative Bureau List.

American Credit Ass'n, Philadelphia, Pa., or New
York City.

American Credit Ass'n Atty.'s Roster; also Gro-
cery & Produce Rating Book.

American Lawyers Co., Cleveland, Ohio.

The American Lawyers' Quarterly.

Associated Trades Merc. Agency, 150 Nassau St., New
York City.

Associated Trades Law List.

Association of Bonded Attorneys, Milwaukee, Wis.

The Bonded Attorney.

Attorneys' & Agencies' Ass'n, 206 Broadway, New
York City.

Attorneys' & Agencies' Ass'n, Legal Directory of
Guaranteed Attorneys.

Attorneys' National Clearing House Co., Minne-
apolis, Minn.

The Clearing House Quarterly.

Baggett & Ryall, 309 Broadway, New York City.

The Baggett & Ryall Directory.

Commercial Lawyer Pub. Co., 721 Olive St., St.
Louis, Mo.

C-R-C Law List Co., Trinity Bldg., 111 Broadway,
New York City.

The C-R-C Law List.

Creditors' Merc. Agency Co., 621 Broadway, New
York City.

The Creditors' Mercantile Guide.

Early's Merc. Agency, 1220 Stock Exchange Bldg.,
Chicago, Ill.

Early's Register of Attorneys & Banks.

Hubbell Publishing Co., 309 Broadway, New York City.

Hubbell Legal Directory.

Keystone Diary & List, 1118 Chestnut St., Philadelphia, Pa.

Keystone Diary & List.

Law List Publishing Co., Herbert Brown, Publisher, 1 Liberty St., New York City.

The American Law List.

Martindale Merc. Agency, 395 Broadway, New York City.

The Martindale Guide. American Law Directory.

McKillop, Walker & Co., 302 Broadway, New York City.

Mercantile Adjuster Pub. Co., 717 Locust St., St. Louis, Mo.

The Mercantile Adjuster.

National Surety Co., 50 Trinity Place, New York City.

The National List.

North American Merc. Agency, 140 Nassau St., New York City.

The North American Mercantile Agency List.

Sharp & Alleman Co., 900 Chestnut St., Philadelphia, Pa.

Sharp & Alleman Co.'s Lawyers' & Bankers' Directory.

United States Fidelity & Guaranty Co., Baltimore, Md.

Guaranteed Attorneys' Quarterly.

Walters & Co., Chas. E., Omaha, Neb.

Walters' Legal Directory.

Wilber Merc. Agency, Chicago, Ill.

CANADA.

Canada Legal Directory Co., 23 Toronto St., Toronto, Canada.

Canada Bonded Attorney.

Canada Legal Directory.

Chapter VI.

Psychology of Dunning.

We are often asked, "How can you collect a bill against a debtor who has no property, who denies the obligation and refuses to pay?" It is from this class of debtors more than any other that large profit is made in the general collection business. The problem of collecting from them, so insistent in the minds of the uninitiated, is very easy of solution.

The answer involves a very simple psychological explanation. In the first place the percentage of citizens in any state possessing "property" in excess of the exemptions allowed cannot exceed 10%. This statement is made without consulting the most recent reports. If it were pertinent to the issue we might make an investigation, when doubtless the average would be discovered much below the one given. However, the title to the vast wealth in this country is too well recognized as being in the hands of a very few to warrant any argument.

It is also universally understood that the percentage of credit business done in this country is not less than 90%. In our opinion the strictly cash business done is not more than 2%. The very basis of our industrial system is credit. If our totals are even approximately accurate, 10% of our business is cash business and 10% done by individuals and corporations possessed of sufficient assets to warrant recovery by execution. This leaves 80% of the country's business to be collected by

the creditor from those not possessed of "sufficient property."

Such a condition is undoubtedly an actual fact. Being a fact, why doesn't the business of the country fail? The answer is very simple. People who buy goods are reasonably honest and really expect to pay for what they buy. As a matter of fact, there is always a percentage of dishonest debtors, always a percentage of hopeless unfortunate bankrupts and always a percentage of irresponsible dead beats. Collection against any material percentage of either of the three is hopeless. There are always some bills nobody on earth could collect. If the percentage were not very small indeed business could not continue at a profit.

Eliminating the class of debtors mentioned, the problem resolves itself to a psychological basis. By the very nature of credit conditions and industrial evolution they could not pay all they owe at any one time. For one thing, there is never enough actual cash in the country to permit it, were there not many other economical factors to prevent. These debtors are a greater portion of the year earning something. Almost everyone is behind all the time. The great army of wage earners are the most precarious credit risks, yet they always get credit when working. When they lose a job their creditors cease to keep before them the matter of their obligation, and usually forget all about the debt. The debtor likewise being neglected "forgets," or ceases to remember.

At this point the psychological aspect develops. A debtor who has been forgotten by his creditor very naturally forgets the debt himself. On being requested to pay without any warning his mental attitude is one of surprise. His first impulse is to deny the debt. Having denied it, he naturally refuses to pay. We

have seen this happen not once or twice but hundreds and even thousands of times. It is the most natural thing in the world, and to be expected. Since it is so uniformly experienced, the method by which payment is secured should be understood.

A very important factor in mental activity is suggestion. In such a case as the one mentioned, it is necessary to so suggest to the debtor that he owes the money that it is absolutely logical for the suggestion to become an absolute concept to him and one that will spur him to liquidate. A constant repetition of an idea is, in itself, often sufficient to occasion belief. In the case of a forgotten obligation the matter of suggestion is an easy basis for operation. The object is to occasion in the mind of the debtor a gradual remembrance of the debt and ultimately an absolute conviction of his duty. In almost every case of this nature the debtor denies the obligation. He does this from force of habit and having denied it the constant suggestion that he still owes it will sooner or later bring to him the firm conviction that the bill must be paid. An element in his mental attitude must be considered, that is, that having denied it the debtor seeks a valid excuse to qualify his original denial. It is therefore the very best plan to go on the assumption in presenting a forgotten bill that it will be denied. By presenting it with this idea in mind it is proper to request of the debtor a reason why a certain bill should not be paid. This allows him to make the most natural response in the world, which is that he does not owe it, but by asking for reasons he qualifies his denial, making subsequent recovery much easier by fully answering his objection after a respectable time limit has elapsed.

Constant suggestion of even an obnoxious belief may

sooner or later occasion in the mind of almost any man, either one of two things. First: Some doubt as to the validity of his objection or a firm belief in the truth of the suggestion. That is why dunning wears down the objections of debtor after debtor. They cannot maintain an attitude of absolute indifference in the face of repeated suggestion. In the case of an honest obligation, he has either to "pay or fight." The longer the suggestion is presented to him the less his belligerent attitude and the more likely the conviction of his error will become.

You should always bear in mind, therefore, that the expected response to an initial demand for the payment of an old debt is likely to be denial. Bear in mind also that in making the initial demand a loop-hole should always be given the debtor to qualify his denial in such a manner that eventually he may back down and pay without any appearance of belittling his self-respect. Bear in mind further that constant dunning means constant suggestion and that, given an ordinary mental attitude, the result is bound to be perfect recollection of the debt and probably a conviction of his duty to pay it.

The psychological problem is to make him think you sympathize with him and yet show him your duty to collect an undoubtedly correct bill, as the "books show" he owes it. This gives him a chance to "hedge" and still preserve his dignity. He is shown the folly of fighting a bill simply because he thinks he has paid it, or because he can't remember owing it. He is usually glad of a good chance to back down gracefully. It is oftentimes absolutely unnecessary to put up any argument at all. The psychology of dunning will accomplish the result. The debtor is always perfectly aware he owes the money. The longer he is dunned

the more strongly he is aware of it, for he is not given a chance to "forget it." The psychological moment will come when some newer creditor will cease reminding him of a recent bill he owes and should pay. His whole existence is simply given up to getting enough to live on and pay enough bills to keep out of annoying complications. Your insistence is constant and forceful. He suddenly pays "to have done with it." Constant reminding a debtor of an obligation will break down almost any refusal or denial. Your insistence firmly but surely develops the conviction of obligation in a debtor's mind. It takes an exceptional individuality to combat it successfully.

We have known debtors to deny any knowledge of the creditor—all recollection of a certain debt—controvert all statements regarding the time and circumstances of the obligation—and simply pay without any excuses or arguments in a few weeks. Suggestion, conscious and unconscious suggestion, does the business.

If suggestion did not spur debtors to action and payment through dunning, in any one of hundreds of ways, the business of this country on its present basis couldn't be continued for ninety days, or at least not longer than that, for when any bill is over ninety days old it is a "bad bill," and needs expert attention.

Chapter VII.

Psychology of Regular Payments; or, The Importance of Habit.

Of all the animal kingdom man is the only creature endowed with reason, and on account of this gift is considered by many to control his actions largely by means of it. Memory, imagination, and instincts are also very important in their bearing on every-day life, but the most common methodical act is habit.

The ordinary man reasons but little. Many a man considerably above average intelligence may pass many days with no occasion for the exercise of his reasoning powers. It is safe to say that but few men find it necessary to reason for weeks at a time. Their lives are guided by habit.

Instincts are rarely called into action by the grown man. Many of his actions that may have been occasioned by instincts originally have developed into habits. Many actions primarily induced by suggestion and imitation have likewise become habits. Memory assists habit, and imagination may be developed through habit to a slight degree.

It is very doubtful indeed that any human action is essentially one simple action of the mind, but that habit is the most potent factor in life cannot be questioned.

It is our purpose to discuss in detail later the characteristics and importance of the various phases of activity. This article will not be an exposition of habit,

but rather the importance of it in the practical consideration of a vital phase of collection detail.

In our first chapter on "collection psychology" the subject of suggestion was considered in its relation to the debtor's first payment. This chapter will consider the utility of habit in connection with a debtor whose first payment has been made.

A habit once forced is stronger than any first action likely to follow certain stimuli. What a man has done safely once is more likely to re-occur under similar stimulus than any other. The debtor who has once made a payment on a bill is therefore more likely to make another and yet others than any new debtor is likely to start his payments on some account.

For this reason, if no other, the debtor that has started to pay is one to whom the most conscientious attention should be given. He, in a measure, is a "certain quantity." Other things being equal, it depends on the collector to develop his first payment into a habit that cannot be broken by the delinquent. Claims that resist every conceivable suggestion or all logical reasoning may well give place to those against debtors who have once paid. The incentive to a fixed habit should never be allowed to wane through neglect or discouragement.

Habit is a *regular* thing. It follows almost irresistibly certain fixed stimuli. Therefore, after the first payment has been secured set a fixed definite date on which the next instalment shall be paid. Never forget or neglect the date. To do so is almost fatal, as regularity and expected stimulus allow the possibility of fixing a habit. To neglect that which the debtor expects in such a case means breaking the mental thread, forming in his mind the possibility of another habit anything but desirable. Always observe above all else every date set for the collection of a payment.

After a second or third has been received regularly the debtor has formed a habit that will impel the same action at stated times until a debt is paid. We have even known many debtors to mail payments after a bill was entirely settled. Such instalments would be received on the regular payment days, and be mailed in response to the mental stimulus occasioned by the falling due of the habitual date.

The element of habit should impel insistence for *some* payment on every date an instalment is due. Never allow a debtor to put off a payment on a fixed date because he hasn't as much for you as he promised. If \$10, \$5 or \$2 should be paid on a regular date, never accept a promise for twice the regular sum next time, in lieu of the full payment due, but to be deferred. In all such cases insist on some payment, if even a fraction of that expected. Never let a debtor form the habit of waiting until the next time in order that he may "double up." Always insist on some payment, that the habit may not be broken. If allowed to put off a single payment by the promise of twice the amount next time, a habit has been started to continuously put off. If a small payment is required a larger one is much more likely to follow.

It is just as important for the collector to form the habit of regularly calling for promised payments as it is for the debtor to be induced to make them. If the collector cannot habituate himself to neglect nothing so important he can hardly expect, with any consistency, to induce a greater regularity in those whose delinquency occasions his services.

Seek to instil habit for payment in your debtors, instil habit into your own business and actions. By acquiring habits of regularity you instill them in others. Without reliance on habit in your own business it becomes arduous and unprofitable.

Chapter VIII.

Psychology of Emotion.

A discussion of any psychological manifestation is usually clearer when considered apart from other ever-present mental elements. In so segregating any mental phenomenon there is a tendency to consider it less involved than it really is. At the risk of possible clearness we propose to discuss in this chapter the importance to the collector of two mental phases of activity.

These two subjects are Suggestion and Emotion in their relation to collections. Suggestion is an ever-ready help in the collection of an account, whatever the attending complicating elements may be. Emotion may, through suggestion, be a most potent factor.

Every one knows what an emotion feels like. It is not necessary to even catalogue the many variations, as they are too well recognized to make profitable any long table of the subtle and coarse emotions. A consideration of their effect, however, is all important, as through them many apparently impossible recoveries can be made.

By understanding the causes and effects of emotions the collector is able to accomplish two things. First, avoid them himself, and second, produce them in others.

An emotion is almost synonymous with instinct. Instinct is an inherent tendency of the nervous system to do a certain thing when stimulated in a certain way. An emotion is a tendency to irresistibly feel in a

characteristic manner under certain stimulus. It is instinct that prompts every baby to get into its mouth every object it can lift to its lips. It is emotion that causes a feeling of mirth when any ridiculous thing occurs.

Emotions are always caused by reaction in some nerve centers. A nervous message is transmitted to some nerve center. On being received there it is "registered" and a new message sent out along other nerves. At least three things happen every time an emotion is felt. One is some chemical or nervous action in transmitting the "message" to a nerve center. The second is some nervous or chemical action in the nerve center itself. And third, some nervous or chemical action in sending out the message. There is usually a resulting bodily reaction following the sending out of the message. This is particularly noticeable in the so-called coarser emotions such as anger, fear, shame, etc. In anger you usually cry out or strike. In fear you tremble or start. In shame you blush and drop the head. In any of these almost precisely the same bodily manifestations may occur. The point we wish to make is that they almost always do occur, and usually to a noticeable degree.

As no one has yet been able to state exactly what occurs in the body following such transmission of messages through the nerves we are as safe in saying a chemical action takes place as an electrical, physical or any other. We do know that there is an effect following an emotion that reasonably may be termed chemical. Any violent emotion results in a bodily condition that is usually unpleasant and weakening. There appears to be a breaking down of mental and physical vigor immediately following any strong emotion. It is well known that violent grief, bitter shame or tem-

pestuous anger leaves an after-effect almost as bad as a well defined illness. In a lesser degree weakness of body and mind follow any definite emotion. There is a certain breaking down of the will power following any emotion. The stronger the emotion the less strength of combativeness thereafter.

The skillful collector by suggestion is able to produce emotions of varying degree. By inciting emotions of shame, pride or apprehension a definite object may be obtained. By subtle suggestion a reaction may be secured at the height of an emotion such as shame that will express itself in the acknowledgement of a debt often repudiated. By skillful suggestion an emotion of pride may be turned into an act of payment before the reaction passes and a weakening of resolve sets in.

One of the most treacherous emotions likely to confront the collector is anger. It is likely to appear through no conscious suggestion of his own, and is never to be aroused intentionally unless he is perfect master of himself, his own emotions, and furthermore well able to recognize the psychological moment for action after the emotion has spent itself.

Some men are able to goad others to fury and through perfect self-possession secure a desired end after the storm of emotion has broken down the defense and resistance of the victim. It is an experiment few should attempt, but it is so true that anger is followed by weakness that no collector should be unprepared to deal with such a situation. The danger in such a position is to become angry yourself through the suggestion operating from simply witnessing the anger and fury of another, especially when it is in a measure, at least, likely to be directed toward you.

It is certainly undesirable to become an emotionless machine. The most keen delights in life are emotional

appreciations. In business, however, few emotions are to be displayed or indulged if success is to be the result. It is possible to conduct your business by the quelling of any undesirable emotion, and at the same time take most unalloyed pleasure in the finer and less turbulent emotions of life.

Any emotion may be dispelled almost instantly. It is only necessary to cultivate the habit of recognizing the manifestations of a rising emotion.

Every emotion is accompanied by a visceral feeling. That is, there is a distinct and recognizable tremor that appears to twist or wrinkle the alimentary canal from the throat down. This feeling accompanies almost every "coarse" emotion. You have only to "step out of yourself," so to speak, and "examine" that visceral change. The moment you focus your attention on the manifestations of your "dual self" an emotion will disappear.

Every one seems to feel that there are "two selves" in his being. One seems to have the power of "looking" at or criticizing the other. It is possible, with but slight practice, to concentrate one of your "two selves" on the manifestations of the other. One of the most peculiar facts in studying yourself, when an emotion is threatened that you wish to quell, is that the moment you attempt to analyze the elements of an emotion it instantly disappears.

Try this experiment on yourself if you are not absolute master of your emotions. A good collector must know how to control his own emotions, and always remain cool whatever the emotional condition of others. Any emotion may be mastered almost instantly unless it is the result of a disordered bodily condition. Hysteria, for instance, is a disease of emotional nerve centers, and usually is beyond the indi-

vidual's control. Natural emotion is absolutely at the control of every man who makes the slightest attempt to consistently govern his mental poise.

Learn to examine your emotions if you would be master of any situation. There is one danger in acquiring this habit. That is that the experimental attitude may prevent the fullest enjoyment of the innocent natural emotions that makes for the keenest appreciation of life and emotional interest.

Chapter IX.

The Collection Memory.

The most important question in regard to Memory is one which almost every one asks himself at some time. There are but few men whose faculty of remembering makes the question uninteresting. It is, "can the Memory be improved?" Before answering such a question it is well for the writer to disclaim any authority for his own answer here given. His answer is simply that of practically all present day psychologists. The answer is NO.

As absolutely no man has other than an undemonstrable theory of the action of the mind, one man's theory about any one faculty *may* be as authoritative as another's, but in choosing a working theory for yourself on any psychological question the "preponderance of evidence" is bound to have weight.

One of the clearest figurative theories of the mind's action is that of Dr. William James, and a discussion of Memory will be assisted by such a theory as his "Brain Path" idea. This theory presupposes that every mental activity results from outside stimuli. That is, that some brain current is started through the various senses, carried through the nerves to some brain center where it is received and stored. Every mental current must get out the same way it got in, and Dr. James' theory is that such currents pass along definite "paths" in the brain. These paths cross and recross each other, and the more any one path is used the "deeper" it becomes. Any one idea, or similar ideas,

have a tendency to follow a certain path, both going in and going out. The continual use of any path creates a "habit," that makes almost impossible any current taking a new, untried brain path.

An idea, passing over a certain path, identifies itself, so to speak, with certain other ideas related to it, which cross its path. An idea that passes across certain paths tends to associate itself with ideas in those paths that are similar or allied to it by any association of time or place.

Memory is the recall of any impression or combination of impressions that have been stored in the mind by means of these brain paths. Naturally nothing can be "remembered" that at one time or another did not pass through some brain paths to certain brain centres where they have lain stored. One of the most useful things about memory is, that only "partial recall" is possible. No one can ever remember *everything* about anything.

If it were not for the power to forget life would be unendurable. The man who is said to have a wonderful memory is he who is able to recall a great many things. This power of vivid recall is almost invariably restricted in the most remarkable memories. That is, a man able to remember apparently every essential detail in a business discussion of importance could not for the life of him tell you what his wife had on for breakfast, nor possibly even remember what he ate at that meal. It is a peculiarity of memory that certain individuals have exaggerated faculties for remembering certain things. Men's memories differ essentially in another important respect. Some remember "visually." Others find it absolutely impossible to recall at any time how anything "looked." Others remember verbally, and find it absolutely impossible to

recall a single color or any definite form of things. Some have "motor" recollections, or distinct sound recollections, but find the recall of any taste or smell an utter impossibility.

This ability to remember in a certain way appears to be the strongest factor in any decision of the question of memory improvement. The fact that one man remembers by visualizing is very significant when it is discovered that nothing he can do makes it possible for him to recall a single tone or sound, however he may desire to do so, or try to accomplish such a gift.

The faculty to remember in certain ways is very certainly established. Just as certainly demonstrated in my opinion is the fact that any faculty to remember in any certain way is inherently unchangeable. Memory is accomplished through an association of the ideas that have been stored in the mind through the "brain paths." The power of memory rests on two factors. First is the natural ability of the mind to "retain" impressions that are brought in over the brain paths. Second, the wealth of "associations" by means of which any retained image may be recalled.

The natural retentiveness of the mind is a thing, in my opinion, that can not be changed or improved in any way. One is born with a faculty for retentiveness just so powerful. No amount of practice nor any scheme or trick of mind can possibly increase this power in the slightest degree, nor is it likely to decrease or lessen except through disease or old age. The latter almost invariably weakens the memory. An old person can usually remember impressions received long ago, but is exceedingly poor in retaining recent or new impressions. There appears to be no way of overcoming or repairing this defect in the aged.

There is a way, however, that any one may increase

his power of mental activity through memory, and that is by securing all possible data on any subject he wishes to remember. The power of memory may be compared with the power of sight. One is born with a retina capable of just so much power. Nothing you can do will improve your power of vision. Nevertheless it is possible for one man to see what another never sees, and the inherent strength of vision be the same in both men. This result is that exemplified in the botanist, for example, who sees in a plant what an ordinary man never sees. His conception of the plant is due to everything in his mind regarding plants in general and that plant in particular. The more he learns and studies about plants the more he is able to see through a retina no stronger than yours something in any one plant unseen by you. It is just so with the memory. Your power of retention is never changed, but your power of recall is strengthened in connection with any one subject by everything you learn or know about that subject. Every particular added to your knowledge of a certain subject makes the recall of the subject itself easier and more certain, as memory consists in calling up an image through associations. The more associations in your mind regarding a certain subject the greater number of chances there are of recalling it through one or more associations. It is knowledge and learning that permit greater recall. Learning all about one subject will make easier the remembrance of that subject, but by so doing you do not add to the general ability to remember in the slightest degree. The only exception to be taken to such a statement is that by learning all about a certain collection case, for instance, you may have found it necessary to become conversant with the statute of limitations in connection with it. The facts you learn about limitations in that case may prove of value in remembering

another set of facts relative to this statute at some later time. Such a recall would be due to the associated ideas in connection with them both, however, and would not in any way be indicative of a strengthening of your inherent power to remember.

To those who would remember better, but one course is open, and that is to LEARN thoroughly everything connected with and appertaining to the subject it is desirable to retain. By so doing it is possible to store the mind with a wealth of associations that will make possible the recall of any one or more of them later. These facts must be relevant and natural, or to learn them is more than useless. The old memory improvement fakirs, such as Loisetete, sought to improve the memory by arbitrary associations of words, and not ideas. The "patient" not only wasted much valuable time in "memorizing" a mess of useless word hooks on which he sought to hang ideas, but at the same time lessened his power of remembering anything, as the wrong hook would intrude itself at most inopportune moments, making logical, useful memory almost impossible.

Do not seek to strengthen your memory. It can not be done. Rather seek to learn and know. The more you learn and know the more you can remember.

By learning a great many things in connection with any definite subject it is possible for any individual to store in his mind such a wealth of association as to make remembering that individual subject almost certain. Such a fact being true would appear to make ridiculous the statement that memory could not be improved. Such, however, is not a logical deduction. The well educated man, for instance, is usually able to remember more things than an untrained individual, yet he may have a much weaker memory. Moreover

all of his education and all of his learning do not strengthen in any way his power of retaining individually disconnected impressions. Such a power is inherent and any number of ignorant untrained minds are able at a glance to so intrench in the memory an image of a disconnected idea that may be recalled instantly through irrelevant association.

The collection man is almost always said to have an excellent memory, whereas, as a matter of fact, his power of retention may be below the average. In my own case for instance I was able for several years to remember definitely and distinctly a very great many particulars in relation to almost any case I had handled. This was not due to my power of retention, but to the wealth of association in relation to every claim I received. At that time I did not have a great many cases, and it was very convenient for me to know all about every claim from a great many angles. I was usually given a full history of the creditor and the debtor, and had occasion to expand my associations in connection with every claim throughout a period of a good many weeks. I can remember still with exceptional vividness a large number of very trivial facts in connection with almost any case I handled during the first years of business. It may be said that I have a wonderful memory in connection with these cases, but on recent claims, and those received after the volume of business reached a number of hundred thousand claims I find it practically impossible to remember a single thing in connection with thousands of them, although each and every one passes through my hands possibly several times. On the later business I have been unable to store in my mind more than a very few associated ideas relative to each. The power of remembering earlier claims has in no wise increased my

power of retention, and I am only able to remember them more vividly than recent matters, because of the course of brain paths left in my mind by each one through its manifold associations.

Many people worry considerably on account of their inability to remember, and are constantly seeking methods of improving the memory faculty. This is a waste of time and is as ineffectual as it is unsatisfactory. You can very easily store the mind in relation to any one subject with details and facts that will make it possible to recall the subject whenever desired, but all of these facts and all of this effort to remember one subject will avail you nothing in the recollection of a new idea unless it is allied to the other.

The ultimate deduction is, therefore, that to remember you must learn and know. The marvelous memory and the quick ability to associate and recall are powers possessed by few, and it is futile to attempt the building up of such a memory for yourself unless it is inherently present.

Chapter X.

Psychology of Reason.

If there is any one faculty that is peculiar to the human mind it is that of reason. Many individuals, biased through affection for animals, may consider this a misstatement, but careful investigators unhesitatingly aver that man is the only creature capable of reason.

Every sane man is capable of reasoning, but it is a remarkable fact that in the ordinary rounds of human existence few men have apparent need to exert this power, and as a result the great majority are led by imitation, suggestion or habit to live their daily lives with little mental effort.

What is reasoning, and how may it be cultivated?

Reasoning is a process of mind by means of which an answer to any definite problem is secured through the consideration of abstract ideas. Abstract ideas are those into which the properties of any object or thought divide themselves.

If on arriving home you unlock your front door and find it does not open readily you push and it yields to pressure. This operation is purely mechanical, and the result of habit, as you have been wont to do the same thing repeatedly before. No reasoning was necessary to secure entrance.

If instead of yielding to pressure your door resisted every ordinary effort, and a condition confronted you foreign to any previous experience with that door, it is quite possible that some reasoning process might be necessary in order to gain entrance. You would first

be sure that you had turned the lock, and try again to press the door open. Still unsuccessful, you would examine the door and possibly note that it had sagged and was resting heavier on the bottom sill than it should. Your mind would turn to the abstract problem of unequal pressure. You would call up the abstract idea of friction caused by pressure, and by analyzing the particular facts before you, decide that by relieving the pressure at the bottom the friction would disappear at both top and bottom. You make a judgment to that effect and if your reasoning is correct, on raising the door slightly, by an upward lift on the handle, the door would open. This process would be reasoning. If you had done before exactly that same thing with that door or any other door it would not be reasoning. In the latter event there would be no abstract ideas to consider, but by means of a memory of a similar situation you would secure a result in which the act of reasoning would not be necessary.

Reasoning in some men is more sure and more accurate than in others. Although education may in a great measure increase this power of accuracy it does so only through developing the powers of any mind to greater and more accurate attention and more subtle discrimination. The man able to see the important abstract ideas that enter into any problem demanding judgment, and is able to discriminate as to their relative importance, is he whose judgment will be the best.

How may this power be cultivated? First, by developing the attention through practice, and second, by comparing the ideas secured through attention in every conceivable relationship. Any man of sound mind can reason, but the sound judgment is naturally the only one of value. "Snap" judgments on any subject are usually the result of very careless attention to facts

and ideas, or little discrimination as to their relative connection. The man of sound judgment will rarely be content with any answer to a problem until he has satisfied himself that he has carefully reviewed all the facts at his disposal and considered them carefully in their relation to one another and to similar facts in other relationships.

To succeed in any business the two most important qualities are imagination and reason. Imagination deals with the result of combining two or more *concrete* ideas, where judgment has to do with comparing *abstract* ideas.

A successful business may be safely conducted without imagination, though there is small likelihood of its ever developing beyond a set limit without it. No business can be conducted very long without sound reasoning and dependable judgments.

The collection business, especially, demands reason and judgment constantly. Careful attention and skillful discrimination enter as active factors with almost every account, and the man with an ability to reason quickly and carefully secures more settlements with less friction and delay than he who pays small attention to facts connected with the business or who is unable to gauge their relative importance in connection with successful procedure.

Attention to essential details may be easily cultivated. Careful deduction may be readily acquired through practice. Unerring judgment is not a faculty yet attained by human beings, but by eliminating unnecessary carelessness and by exercising economical judgment, profits may be increased and enviable soundness of judgment result.

Chapter XI.

Psychology of Imagination.

There are two extremely common beliefs regarding Imagination. One is that exercise of it is to be discouraged on account of its "unreliability," and the second is that it is a rare "gift" inherent only in such artists as the composer, the poet or the inventor.

The suspicion with which imagination is regarded is clearly evidenced by the attitude of thousands who take every occasion to reprimand their children for telling impossible "stories." Many parents of austere habits actually believe that their children are limbs of the devil because in exercising their imaginative powers in a most natural way they give utterance to stories absolutely incomprehensible to their methodical fathers and mothers.

On the other hand the most impossible and weird religious conceptions are the most likely to be entertained by the very parent who stifles an imaginative exhibition in his child. Such a parent would be the first to grant to such imaginative "prophets" as John Alexander Dowie or Mary Baker Eddy a "divine gift," instead of recognizing that the workings of the mind in his child and in his prophet were practically of the same character, and probably of similar seriousness.

The imagination is not necessarily either a "divine gift" or a characteristic to be neglected. It is one of the most important faculties in business success and progress. It is capable of development and highly essential in education. The wise teacher of today en-

courages the child in reading and repeating fairy stories.

In considering such an imaginative creation as any wonderful invention it is perfectly natural to consider the inventor as an instrument of "revelation," and endow him with prescience he naturally could not possess. This tendency has done much to retard the development of a most useful faculty.

No human mind can possibly secure or give utterance to any new *single* idea. Before any single idea can possibly be expressed it must have been secured in the mind *from without*. THERE NEVER WAS AND NEVER CAN BE ANY SINGLE NEW IDEA. The mind can not give out what it has not received through the senses. The *expression* of any single or simple idea never makes for progress either in the individual or in the race. Until the individual *secures* such ideas, however, he can not make progress or accomplish anything.

All conscious thought operates through what is known as "Association of Ideas." Ideas naturally associate themselves in any human being's mind, whatever his stage of development. It is as natural to think of a child when mother is suggested as it is to think of white when black is mentioned. Such ideas and any others are invariably thought of in connection with others through association of ideas. Without this association the mental process would be extremely circumscribed as may be readily understood.

It is uniting, consciously, any two or more simple ideas into a combination representing an expression of them that is new that requires imagination. It is the power of uniting the idea of a vast waste with the verdure and productiveness resulting from an inexhaustible supply of water that was consummated in

diverting the Gunnison River from its underground bed in the Black Canyon through the barren Uncompahgre Valley. Although imagination never did the work, it conceived it, expressed the idea and made that great accomplishment possible.

Every step of our wonderful business and industrial progress is possible through the power of some man to associate in a new way ideas that were before not new, but never so associated. Imagination is not necessarily essential to the profitable conduct of a business. A business may be run for years in the same old way, and if changing conditions are not too radical, that business may continue, and hold its own. The business men who develop and expand, however, are those constantly employing their imaginative faculties in conceiving new combinations of ideas, in employing them to improve, strengthen and revolutionize. Changing business conditions must be met by men with imagination. Through early training and long exercise of this faculty some men are able to evolve ideas that baffle connection with pre-existing ideas, but the association that preceded the new thought had its basis in nothing new.

The collection man should especially cultivate the power of associating ideas through imagination. No two cases are ever absolutely alike, but all cases are in some respects similar. By associating ideas of procedure in one case with those of others apparently entirely new, methods of action may be evolved for such cases that resist well-worn methods.

It is the lack of imagination that fosters imitation in the collector or any other. A new combination of ideas by one man may be easily improved through your imagination. Practice improving his ideas by associating them with such good ones as you may have already

practiced. Never be content to simply copy or imitate what someone else has done. It is always possible to improve on any idea. This improvement is accomplished through imagination. You may not be able to improve every idea, but there are certainly some ideas on which your imagination can improve. Through practice and observation this power may be greatly strengthened, and by means of it a degree of effectiveness accomplished greater than that of any original conception.

In reading the various series of letters appearing in later chapters, carefully consider the best possible use to make of them. By the exercise of your imagination you may easily change or improve each letter that it may meet the exact need for any special case of your own.

Chapter XII.

Tracing Moved Debtors.

Tracing the moved debtor—locating the ever-moving credit buyer—bringing to life the ubiquitous skip—these tasks demand great patience, the most skilful scheming and the utmost resourcefulness.

Many collectors become discouraged because of their inability to locate this class of debtors. Many have conscientious scruples in employing methods which they consider outside the pale of strictly ethical procedure.

To my mind, any method that will locate a dead-beat is justifiable. The man who will move, making every effort to cover up his tracks, is not entitled to any high regard, nor are the niceties of morality and convention applicable to his perverted case. I have never felt any conscientious scruples in representing myself other than I was whenever the necessity arose for subterfuge in order to secure information on this class of business parasites.

Business experience teaches that fire must be met with fire, and duplicity with duplicity.

Almost any method of tracing demands concealment of motive. It is as ridiculous as it is futile in getting information regarding a skipping debtor to advise his friends or neighbors that you have a bill against him and you will be obliged to them for information leading to his address.

However, as there are some collectors whose consciences will not permit the slightest misstatement of

fact in any contingency, I propose to outline a method of tracing used by me with great success, and at the same time necessitating such a slight element of deceit as to outrage the tender morals of no one.

I was at one time securing mercantile reports for an agency rivaling in activity both Bradstreet's and Dun's. Every morning I was given on single slips of paper the names and addresses of persons on whom requests for reports had been made by subscribers. No other information was ever given me, and it was my duty to secure a statement if possible and write up an intelligent mercantile report on every man desired.

I soon found a condition that puzzled me continually, which was that a number of those for whom I had requests for reports were not located at the addresses furnished. It was not sufficient for me to turn in a report that he had moved, but rather to find him and give a full report of the condition, whether the man had moved or not. Without knowing it I had been given a large percentage of tracers from the mercantile agency's collection department, and in all good faith I was securing information which later was used in an attempt to collect pretty bad business accounts.

Having been made the innocent tool of the collection department, I secured a fund of information and education in regard to tracing that has been extremely valuable in my later collection experience.

Whenever I found a man had moved I went to neighbors and near-by stores seeking information relative to the man on whom I had the request for a report, and found that my position as a reporter for a mercantile agency effected an almost magic result. No man who ever lived has been able to leave a neighborhood without forming some acquaintanceship or connection. It was my duty to find these connecting

links. As my business was presumably to secure information relative to the man's credit, I always found those acquainted with the tracer willing to do him either a good or a bad turn. If my informants were favorable to the skip I would be given a mass of commendatory material relative to his character, habits and possessions. When properly approached I found almost everyone more or less garrulous after being advised of my interest in the matter. Many men leave disgruntled and dissatisfied acquaintances behind. The reports of these were as full and complete as the favorable ones. Both invariably wound up my interview by securing the present or possible address of the man from whom I desired to secure a statement.

I was often asked whether I was a collector, and as I was not, always indignantly denied it. I found this secured most satisfactory results, as almost everyone is willing to tell everything he knows to a mercantile reporter. The attitude of those so approached was always one of willingness. Whether favorable or unfavorable, the result to me was the same, as I nearly always secured, what was most essential—the present address of my skip.

Every collection man can utilize this experience in tracing debtors. By using a title, The Blank Mercantile Agency, he can conscientiously exploit his mission as that of securing a mercantile report on the debtor. This works like a charm. If you have not tried it, employ this method in tracing some of your hard cases. You will be surprised at the readiness in which information is to be secured in this manner. This is only one of many excellent means of securing addresses of tracers, but every method is of value in this connection, for by finding moved debtors profits are always to be increased.

Chapter XIII.

The Use of Threats in Forcing Collections.

The use of threatening, intimidating or coercive measures to secure the settlement of delinquent accounts is a matter of concern to every collection man. All efforts that border on threat, intimidation or coercion are to be strictly avoided, being in conflict with law and very liable to lead to serious entanglements. The system taught by The American Collection Service, based on modern scientific lines, makes their employment altogether unnecessary. Their use by agencies before the advent of this institution, more than any other cause, tended to inject certain unpleasant features, but their efforts have placed the business on as highly a respected plane as that occupied by any legitimate profession.

It would be a difficult matter to lay down a general rule in this regard that would cover the entire country. The problem is governed largely by local statutes, framed on divergent lines, which little resemble each other. Everywhere legislators have found it a singularly hard task to enact statutes that would allow all honest efforts on the part of creditors and collection agencies to bring delinquent debtors to time, and yet not permit too great opportunity for the practice of a quality of blackmail. There are also certain federal laws and postal regulations that cover the subject.

In the State of Ohio, for instance, a statute reads:

"Whoever verbally accuses any person of a crime punishable by law with intent to extort or gain from such person any chattel, money or security, or any pecuniary advantage whatever, shall be imprisoned, etc." Under this law it has been held that a creditor may make an honest effort to collect a just debt by accusing or threatening to accuse the debtor of a crime with which the debt is connected, or out of which it arose; in the judgment of the court, the word "extort" applying to cases where the creditor was trying to secure something to which he had no just or lawful claim. (47 Ohio, St. 556, 11 L. R. A. 656.)

The statutes in the District of Columbia are perhaps the most severe, having been held, by its Supreme Court, to be coincident with federal laws regarding matter that may be forwarded through the mails. It is very well known that dunning postal cards casting reflection upon the addressee, carrying writing or printing like the following: "I see you do not intend to pay any attention to your agreements," are expressly forbidden by law (U. S. vs. Simmons, 61 Fed. 640). The use of printing on an envelope, such as the word "Collection" in prominent type, is held to be evidence of an offense under the federal statute, 43 Fed. 135. In a very recent case (Slater vs. Taylor, 31 Dist. Col. Appeals 600) this District of Columbia statute was construed to render unlawful the placarding of a debtor's door with dunning cards, the court differing with the Ohio court regarding the meaning of the word "extort," taking it to mean "moral compulsion." The following quotation from the opinion of the court is very valuable in the consideration of this subject:

"A man who, without cause, fails to pay his debts, merits and receives the contempt of society, but the law has provided legitimate means for the collection

of debts found to be due, and it is in the interest of justice and public peace that such acts as the record shows should be suppressed. That the debtor has acknowledged the claim can make no difference, since the statute is designed to prevent any pecuniary advantage being gained by the inhibited means."

As stated, it is quite impossible to formulate any general rule for the guidance of the collection man and creditor that will allow the use of a certain amount of threat, intimidation or coercion and yet not trespass on the law, because of the great variance in local statutes and court decisions. The best way—the only way—is to avoid the use of such means altogether. Our experience proved beyond a question of a doubt that better results could be obtained by avoiding the methods discussed here, and this one reason, appealing to one's self-interest, even though the other important advantages be left out of consideration, is sufficient to give it the highest recommendation.

It is an acknowledged unfortunate condition that the policy of the Postmaster-General in regard to the use of the mails is not reduced to a definite, fixed basis insofar as collection letters are concerned. There are certain statutes available to all for guidance, but the interpretation of these statutes is an entirely different matter. Whenever any specific complaint is made regarding any letter or form, that complaint is handled by a local postoffice inspector. An opinion of one may easily conflict with that of another, and a ruling in the East may be directly opposed to the practice in the West, or vice versa.

Since there is absolutely no method of securing federal guidance in advance, the situation resolves itself largely to a matter of individual ethics. In the event of any complaint ever arising a postal inspector inves-

tigates the circumstances out of which the complaint arises. If the communication objected to appears to the inspector as objectionable he will warn the user against its further use. To attempt a continuation of such a procedure in the face of such a warning is the height of folly, for two reasons: First, there is likely to be the best possible ethical grounds for the individual inspector's personal ruling. It is not likely that any inspector will object to the use of a form or letter unless it contains some element prejudicial to the common good. If you fail to see any real ethical principle at stake it is more than likely that your own perception of real social justice is dwarfed or stunted, and in such an event the warning should be viewed as a distinct help to you in securing a broader view of real social service than that you are so unfortunate as to possess.

In the second place, it is folly to combat any such ruling, as the intricacies of departmental procedure are familiar to the inspectors where they are not to you. While it is no part of his duty to inform you of recent rulings of the department, or of recent decisions relative to such matters, he is quite conversant with them, and is not likely to take any radical steps without being perfectly sure of his ground, which you can never be.

In this connection your attitude should be that of one more than willing to profit from any suggestion from such a source. You may be firmly convinced that following such advice will redound to your best progress in the long run, as very few unjust rulings ever occasion loss to those desirous of following the highest business practices.

Several specific bits of advice may be given here, to disregard which may mean definite and distinct trouble with the postoffice at any moment,

1st. Never threaten criminal process, either by mail or otherwise.

2nd. Never send postal cards bearing the name of either creditor or debtor in referring to a claim, either paid or unpaid.

3rd. Never send a postal card to a debtor referring directly or indirectly to any account he owes.

4th. Never send a postal card receipt to a debtor or forwarder.

5th. Never threaten through the mail to expose the shortcomings of another.

6th. Do not mail dunning notices of any kind unsealed, either by first-class postage or by third-class postage unless sanctioned by a local inspector.

7th. Never communicate with any debtor by mail if there is the very slightest doubt as to the entire justification of the claim itself. This is by far the most important. To attempt the collection of an unjust claim not only merits retribution but usually experiences it.

Chapter XIV.

The Court Cost Abuse.

There is a necessity for an absolute understanding of the abuses experienced by the merchant in his relation with a certain class of collection agencies.

There have been two great elements of graft among a certain class of agencies. It is against these agencies that most of the criticism has arisen; and it has been due to practices of such agencies that the recent bonding law in Massachusetts was demanded by disgruntled merchants of that state.

The two elements of graft mentioned are the membership fee graft and the court cost graft. It is hardly necessary to say a word about the membership fee graft, as everyone knows how absolutely rotten every phase of it is bound to be in ordinary practice. It is not so clear to many why the court cost graft has aroused such antagonism, nor is it so easy to see how the attorney has done more to encourage this system of graft than anybody, and on what grounds the attorney defends the practice and encourages it. In this chapter we will make plain a number of facts in connection with court costs that may serve a good purpose.

In the first place, it should be distinctly understood that a request for actual costs, necessary to start any suit and prosecute it to a judgment, is not in any sense a "graft." If the practice of asking and securing the actual costs to reduce claims to judgment had been the one followed it would have eliminated one of the crying abuses complained of by the merchant. The

attorney was quick to see long ago that on small bills his legitimate commission could not approximate the time-honored fee he was accustomed to consider his rightful due for lending the wealth of his experience and training to the prosecution of any case. He also realized that, irrespective of his legal grounds for charging any client any sum he desired as a "fee," it would not keep his business moving to charge a client as much for collecting a bill as the bill amounted to. He had to get around this predicament and at the same time secure all there was in the case beforehand. He managed to evolve a plan that not only commended itself to him as profitable, but placed him in a position to hand back to any client a portion of the collection after it had been actually collected. He devised the plan of demanding in advance a sum of money for "court costs." Now, the average individual has no more conception as to the actual costs of securing a judgment than has a babe unborn. He only knows that "lawing is expensive." The lawyer has seen to that, all right. When a merchant is asked for \$5, \$10 or even \$15 "for costs," he has no evidence that such a sum is not reasonable. That is, he did not formerly have any grounds. The usual amount requested today by such grafters is \$5, as it has been discovered more or less difficult to show an inquiring merchant just how it can possibly cost \$10 or \$15 to secure a justice court judgment. It is easy enough to "show him" that it couldn't cost less than \$5, so that sum has become the usual amount requested during the past few years. The average court cost grafter will, however, demand as much as he thinks he can get and it has not been over six months since a prominent law firm in a large eastern city asked us for \$25 for costs. They either did not want the case very badly, or else they thought we were innocent children. However, they

are not the only ones who still are practicing that graft on as strong a scale as they feel can be worked. This exposition is not intended to convict the attorney of sole participation in this petty graft, but rather to show its inception. It is also to bring out the excuse given by the lawyer, should he be taxed with such petty grafting. He has a most honorable precept for such a proceeding, and it had as its justification an old provision that still exists on the statute books of nearly every state. It is known as champerty, which makes it a punishable offense for any attorney-at-law to advance the cost of any suit for a client. The theory of the provision is very good, or may have been when originally conceived, which was that no attorney should have a personal financial interest in any suit prosecuted by him. Such a provision also might be well construed to mean securing his actual legal fee in advance, both of which provisions certainly find the lawyer in a receptive mood, for we would all very much like to get what we expect to earn before we earn it. Those who originated the provision doubtless had such a laudable design in view. Present-day conceptions of making good have somewhat dimmed the enthusiasm of the man who pays, however, and while it may be possible that the statutes relative to champerty may have been enforced at one time, no one has ever heard of its provisions being enforced in the present day and age. Although the statute is still on the books of practically every state, it is obsolete and a dead letter. It is there, however, for any lawyer to point to should a client request him to back his judgment with the costs. Hence the security of any attorney in frowning down any procedure that conflicts with his time-honored little perquisite. (There have been known cases where an attorney actually returned the court costs. We say *known* advisedly, having once *heard* of such a case.)

For a good many years the client had been educated to such a point that the request for court costs became natural to him. The collection agency grafter, realizing that the attorney had nicely paved the way for him, commenced to make as much in court costs as he expected to make in commissions, until in a few years the practice became intolerable. The average merchant of today has a sneaking suspicion that a suit may legitimately cost \$5, although the great majority incline to the belief that it costs about three. The latter conception is due to the fact that sharp competition between lawyers and collection agencies has gradually resulted in a cutting of rates for this productive source of graft, until \$3 has been the level at which such demands have stood for some time. The less demanded, the more petty and contemptible the graft, for whatever the sum it is more than the costs ever amount to, and are always kept, win or lose.

In The American Collection Service Lessons this subject is dealt with, and the recommendation made that any member desiring to bring suits has but two honest courses open to him. The first is to bring the suits on a commission basis of 25 per cent and secure from the client the actual amount necessary to sue. This places the burden of the gamble on the client, for every suit is naturally a gamble. The second plan is for the member to back his own judgment by advancing the costs himself and charging 50 per cent on recovery. In the latter case he assumes the burden of the gamble. No suit should be recommended and brought until an investigation of the debtor's condition warrants the expectation of recovery. If investigation warrants the belief that the judgment, if secured, can be collected, the agency should be willing to gamble the small amount necessary to sue, especially as he will make 25 per cent more.

There are certain local conditions in various places, usually large cities, where suits are not profitable except in very rare cases, as in St. Louis. Chicago is another. The Municipal Court there demands the payment of \$3 in advance from every one before a suit can be brought. After it is brought extreme difficulty is experienced in securing service, and after service and judgment it is practically impossible to secure any action on an execution, and any action at all costs extra, with a bond in addition as a further deterring feature. The Chicago office of the Shryer Mercantile Agency has instructions to bring no suits under any circumstances, unless the client demands that a case be brought to a final issue through such procedure. In the latter event the agency has instructions to inform each client of the actual conditions, and abide by his decision as to then bringing the suit. If the client in the face of a knowledge of the actual facts still wishes suit brought, he has to pay the costs, the *actual* costs, and no other. Suits brought there are pure accommodations, for the most part, though a goodly percentage have been collected, owing to the fact that only such are brought that bear promise of recovery under execution.

In most cities the actual costs of suit are from \$1 to \$1.75. In most small towns suits may be brought for from 75 cents to \$1. Whatever the actual cost the court cost grafter charges whatever his clients will stand. The plan is bad, its method of operation is rotten, and its practice by American Collection Service representatives is absolutely prohibited. If any member receiving forwarded business from another demands court costs, such a demand is sufficient to retire that agency from representation. In special cities, where conditions are such as to preclude an honest,

efficient service under such a plan it is incumbent on the agency to explain such conditions, and then allow the forwarder to advance the costs or secure the return of the claim. In such an instance it is not against the representative's standing that such requests be made. In all other cases it is.

Chapter XV.

The Law of Collection Averages.

All business and social life conform to laws. Some of these laws are well known and universally observed. Many are unknown or become subconscious factors through universal observation.

A law of the collection business is that of averages. Its workings are not restricted to the collection business by any means, but the collection man who does not realize its certainty is working under conditions of discouragement bound to be great at certain times.

My first conception of it arose from a bit of philosophizing by an old book salesman, who epitomized his varied experience as follows:

"I have learned that, no matter how bad my 'luck,' I can always land some man if I keep at it long enough. When I strike hard sledding I am never discouraged by one turn-down or a dozen in succession, because I know that every failure brings me one man closer to the sale I am bound to make."

I realized at once that this statement might be applied to my business with peculiar aptitude, and the more I thought about it and the farther I worked it out, the more I became convinced that its workings represented a law by which I would do well to guide my calculations.

My realization of the certain action of this law in connection with collecting accounts has become so much a part of me that I am inclined to consider it as clear to everybody else as it is to me. This never would have been written had not a casual reference

to it in conversation with an old collection man disclosed the fact that he had never thought of it nor had it pointed out to him as a working hypothesis. As it was new to him, it may be new to you, and as such prove valuable for consideration.

The working of this law is just as applicable to recovering accounts as it is to the selling of goods. To prove its absolute truth it is necessary but to grant one premise. That premise is that you or your system is capable. This capability may of any quality, but to get *satisfactory* results in anything there must be the ability to get *some* results. This certainly appears to be an axiom.

The collection man must be able to get results. His results will always vary in returns according to the nature of the bills on which he is working. Some bills will yield a 100 per cent return, but such accounts are very rare. The actual facts are that on current accounts the average runs between 80 per cent and 90 per cent. On harder bills the average may well be considered 40 per cent. On desperate bills the average may drop as low as 20 per cent.

The essential consideration is the fact that only a portion of very bad claims may be collected, but that on any average accounts some are bound to be paid if properly handled. With the thought always in view that thirty out of fifty can not be expected to yield returns, it is naturally an invigorating and stimulating conception of the subject to feel that every failure brings you one nearer the next bill of any certain number bound to be collected. The farther you go unsuccessfully the more you are bound to collect all in a bunch, or at any rate shortly following one another.

Moreover, the law of average returns will rarely work out in dollars and cents, but it will invariably work out as to numbers. That is, fifty bills aggre-

gating \$1,000 may or may not yield \$200 in returns, but it is a moral certainty that they will be collected in some certain percentage as to number. Let us say 20 will be collected, which is 40 per cent. In working bills I never allow myself to consider their amounts in relation to the amount of work I shall devote to them. I work a bill of \$1 just as hard as I do a bill for \$100, knowing that the law of averages will land 20 of those fifty bills by the time I have done my best to collect every one of them. Of this ten I am just as likely to collect the largest ten as the smallest ten, or vice versa. I am never discouraged if I do not collect one out of the fifty, as the law of averages will adjust the matter by returning twenty out of the next fifty.

Now the important element for consideration in this connection is the original idea presented. If you have a system that will collect 40 per cent keep this idea in mind. Every call that results in failure, every letter that fails to bring the money or every action that causes no direct result should stimulate you to continue until the average return is secured, because every failure brings you one step closer to the collection itself, and can not fail to do so. You can't expect a 100 per cent return. Therefore, sixty ineffectual steps must be taken before forty results will follow. Every failure is a step nearer to one of the forty successful results you are bound to secure. Should you sometimes secure 120 repulses you can be sure that 80 collections must follow, or that eventually your average return, whatever it may be, is bound to follow.

The working of this law is inevitable. There is a certain average you are bound to secure in any event. It is a source of satisfaction not to be dispelled by any number of failures, when you realize that every failure simply brings you one step nearer to a certain average of successes.

Chapter XVI.

Collection Business Psychology.

Personal Collections.

In this chapter will be discussed the psychology pertaining to that part of the collection business which is directed toward the debtor, particularly those elements which are concerned in making collections by personal demand.

At the very outset, two factors present themselves for consideration. First, the best time for dunning a debtor, and second, the best place. In considering the best general time of the week or month, the first condition that rightfully arises to determine this is when he has the money. Apart from questions concerning the validity of a claim, its justness or correctness, a debtor will naturally be in position to pay an account when he has the money with which to meet it, and the only factor which should necessarily be taken up in this connection is the matter of income, when and how it is received. For this purpose, the debtors must be divided into two general classes—the debtor who is in business and the wage or salary-earner.

Regarding the debtor who is established in business, it can hardly be stated that there is any particular time that is better than other times. Accounts against people in business are, as a rule, the easiest of collection, and there is no particular time of the month or week when an effort is most likely to succeed. However, there are certain conditions which are likely to operate

in favor of the agency if taken advantage of. With many houses it is an established practice to pay current expense accounts about the tenth of each month, and by making his approach a day or two before the tenth the collector may be successful in having his account scheduled for payment with other bills. Jobbing houses and wholesalers generally have money in May and the first half of June, and November and December, when billing for spring and fall goods respectively is liquidated. With the general retailer, Monday morning should be distinctly favorable for collecting bills, as the merchants have in their hands the proceeds from their Saturday's business.

Now, concerning salary- and wage-earners. The office man and woman who are employed on a monthly salary basis generally receive their stipend the first and fifteenth of each month. Wage-workers receive their wages, as a rule on Mondays or Saturdays, the latter being more nearly universal. Store employes receive their wages Saturday nights at the close of business. It naturally follows that if the collector can get to these debtors the first possible moment after they receive their earnings, he stands an extremely good chance of getting the money on his accounts, provided there be no difficulty in the way of a settlement. It must be taken as an accepted fact that the average man is honest and wants to pay his debts, and that he will do so when he has the money. Many lay off the payment of debts because of shiftlessness or the habit of general procrastination, and if their debts are placed before them when they have the money they will pay readily.

The man who is in business should never be approached regarding his debts at any place other than his business premises. The average business man will greatly resent any attempt to remind him of his short-

comings in the meeting of his obligations outside of his office or store, and care must be taken in every transaction to obviate the creation of any feeling of antagonism, as this will greatly increase the difficulties of collecting. There is no set hour which could be properly regarded as having any advantage over any other, but some consideration should be given to the choice of a time when he is the least busy. While this cannot be specifically determined, at the same time a pretty good guess can be made according to the line of business. With the retailer, for instance, his busiest period is during the afternoon, and in the forenoon he is not so fully engaged. It may be regarded as a good general rule to follow that when a debtor is the least occupied with routine duties he is the most susceptible to a diplomatic approach.

It must not be inferred from these remarks that the collector should withhold attempts to collect until a certain time of the year, month, week or day. The collector must always give prompt attention to all business, but at the times mentioned as favorable he should make an extra strong effort to collect not only regular business but to clean up his files of all sorts of accounts.

Never refer to a business man's shortcomings in regard to outstanding and past due accounts in the presence of others. Such a matter is likely to spread, with a disastrous effect upon his credit, and a business man's credit is the most delicate portion of his make-up. It may be argued that the hint of mentioning his debts before others may force upon him the realization that his accounts should be quickly taken care of for his own protection. I must differ from this view, as I consider it not only erroneous but dangerous. From a psychologic point of view, it is absolutely wrong, as

leading to a state of mind directly opposed to that favorable condition which is necessary to a successful consummation of the collection effort. The effect will be to create a feeling of deep resentment against not only the collector but his principal as well, leading to a great effort on the part of the debtor to outwit both collector and principal, causing not only a direct financial loss, perhaps, but a certain loss of his patronage as well. The latter must be guarded against just as assiduously as the loss of the original account. The principal expects from the collector not only the collection of his accounts but the conservation of the debtor's trade.

Occasion may arise, of course, where the agency or client learns from authoritative sources that the debtor is badly involved with other creditors, and if conditions absolutely prevent him from heading off the other creditors (which is legitimate business practice) it is necessary that a joint movement be made. Such proceedings would come under another head, resulting in either a general partial settlement or bankruptcy proceedings.

In meeting the business man, the collector must comport himself with dignity, and must in every case be prepared to carry himself on the same level as the debtor. There must always be the firm insistence upon payment. Should any question be raised by the debtor regarding the account, or any items of the account, the collector must always be ready to listen to and consider the arguments of the debtor, with the understanding that he will take up the matter with the creditor, and if there is justice to the complaint an adjustment arranged.

In calling upon the debtor who is not in business, the general distinction as to time must be made according

to the line of work. In a factory, for instance, it is not permissible to speak to one of the hands during working hours, and such a debtor must be called on outside of working hours—in the evening, preferably, at his home. The office-worker, excepting in the very large offices, may be seen at almost any hour during the business day. Other than making a general distinction in conformance with the work of the debtor, and his place of employment, no specific rules can be laid down.

Do not mention the accounts of this class of debtor in the presence of his associates or fellow-workers, or in the presence of his employer. In making calls try to avoid the semblance of a collector. Repeated calls from a collector, becoming known by the debtor's fellow-workers, will lead to a loss of standing before them and cause remarks that will make him feel uncomfortable; if known to his employer, may lead to a loss of position. Neither of these eventualities may be calculated as placing the creditor in his favor, rather creating the feeling of antagonism that is to be carefully guarded against.

The quickest and most satisfactory way to collect is to make the debtor believe that the collector is his friend and wants to help him out of an unpleasant financial situation; he wants to help the debtor pay up his debts and to adjust any difficulties which may have arisen. The debtor must feel that he is being treated squarely, in order that the creditor may retain his patronage. Nevertheless, the collector must always act firmly and keep the debtor to every promise. Let the latter understand that an effort will be exerted to secure reasonable allowances if the demands are fair; if unfair, that the request will be firmly denied and payment in full exacted.

Occasions may arise where the debtor will assume an insulting attitude toward the collector. This should be

entirely disregarded. Personalities should never be indulged in. The collector must not forget that he is there for business—his own personal affair only as it is the business of his principal and therefore his business, and that he cannot afford to lose his temper or dignity, as that will surely defeat the object of his call, which is to get the money. His attitude of mind must be firm and unyielding, excepting as just occasion may arise for compromise.

There are many interesting psychological side-lights in connection with personal meetings with debtors. Whenever two minds conflict, as may often be the case in personal collecting, there is bound to be an argument. This argument does not necessarily have to be a wordy one, and in many cases the arguments of both parties to the conflict need not be expressed, but they are always present in the minds of both. When a collector presents a bill to a debtor there is almost universally a conflict of minds. In a great majority of cases this conflict is between a weaker and a stronger mind. It is just as likely that either may have the best of it from the start, and in a number of cases the conflict results in a draw, neither side gaining any appreciable headway. In certain mental combats, as in the collection of a disputed bill, the winner is likely to be given credit for shewd and devious thinking, but there is every chance that the most simple, natural working mind will win.

There are three great classes of minds—the average mind, the sub-average mind, and the superior mind. It is a safe rule to follow that, classifying the individual as possessing one of these three, his mental processes will be exactly the same as any normal man of his class, and his actions and thoughts under given conditions will run in exactly the same channels. The suc-

cessful man in any class of work is the one thoroughly conversant with the workings of the normal mind. Given certain conditions, he has only to figure out with reasonable certitude what he would do under similar circumstances. With this as a basis, he is able to anticipate the probable arguments of another, and by so doing turn the result with greater certainty to his way of thinking.

All men are governed by the same general motives. The life and training of each individual give him a certain personal attitude that is peculiar to him, but his general reasoning will be along the line of his class, unimportant idiosyncrasies excepted. The man who has learned from living with men, and not from reading about them, and knows men from having been one of them in whatever class he found himself, knows what any man is most likely to do and think under reasonable, everyday conditions. Such a man knows that a certain line of attack would anger him beyond endurance, whatever the provocation. He would therefore avoid any such himself, unless for a special purpose he wished to anger another. Such a man knows from long association with men that certain emotions are absolutely certain to be aroused under certain stimuli, and feeling what may be accomplished through certain emotions, is perfectly fitted to use them accordingly.

Some men never learn over two fundamental emotional attacks. One is that of arousing fear and the other arousing complacency through flattery. Both may have their uses, but their exercise rarely settled any but the most simple dispute.

To understand men and be able to move them, the collector must be able to think and feel as they think and feel, to be able to put himself in their place, not necessarily to gain any given end alone, but for the

rare satisfaction of actually living as any other man lives, knows and understands. To the extent that any man can do this, to that extent is he successful among men—all men and any men. The personal collector who can develop himself to this state increases his efficiency many fold.

Chapter XVII.

Collecting from Government Employes.

Collections from government employes is a problem that confronts a great many business men. Very few seem to know that the heads of government departments will not tolerate the employment of any man who does not pay his just obligations. The government, as everybody knows, is not subject to garnishment and there is no legal procedure by which recovery can be made against an employe of the government so far as attaching the funds due him from the government is concerned.

It is also true that no one can sue the government, but any one who has a just and valid claim against it has little difficulty in getting it allowed through equitable means.

The same procedure is the one in vogue so far as collecting from government employes is concerned. A showing of a meritorious case is sufficient to occasion an order to the employe owing money that he must either pay the claim or leave the employment of the government.

In all such cases a full statement of the facts should be written with typewriter and forwarded to the head of the department in which the debtor is employed. If an Army or Navy man the communication should be addressed to the Commanding Officer.

In such cases the corresponding is oftentimes long

drawn out and somewhat tedious, but the result is practically the same in all cases. In corresponding with Commanding Officers all letters are returned to you with replies fastened to them. A debtor is usually told to make settlement and almost always makes a first payment at once, after which he is inclined to fall down. Subsequent correspondence should include all previous letters on the case which are kept together in one long history of the claim.

In some instances the heads of departments will not act unless the account has been reduced to a judgment, but not always, and it is a good plan to present the facts clearly, honestly and concisely before making any attempt to secure a judgment. The government believes in its employes paying just bills, and will make any reasonable effort to enforce this position. There are times when the side of the debtor is absolutely fair and right, and in such cases any further work on a claim is not indicated, and should not be.

Chapter XVIII.

Collecting Through Garnishment.

A garnishment is a legal action through which funds due a debtor are secured to the uses of the creditor.

A garnishment in most states is an action predicated on a judgment. That is, before a garnishment may be brought a judgment must be secured. In some states the action in garnishment may be practically combined with the action in assumpsit, as in Michigan, for example. In this state a summons may be issued by a creditor against a debtor, and at the same time a garnishment started that is served on a third party supposed to have funds belonging to the debtor. In most states, however, a judgment must be secured before a garnishment may be started.

In almost any state an action may be started in attachment before securing a judgment, but such actions are only permissible when the regular grounds regulating any attachment exist, and as a uniform collection proceeding are not wise nor safe.

After a judgment is secured on any debt, a garnishment action may be directed against any third party believed to have in his possession funds due the judgment debtor. In most states a garnishment is perfected by two processes. The first process directs the garnishee defendant to appear and show his relations with the judgment defendant. If his showing discloses any funds due the debtor, the judgment creditor of the latter is entitled to a judgment, which runs against the party garnisheed. If the garnishee defendant fails to

appear and show his relations with the judgment debtor, the judgment creditor is usually entitled to a conditional judgment against the garnishee, which may be made permanent by the service of a second summons on the garnishee. In most states the garnishee judgment is rendered for the amount due the judgment debtor, less his legal exemptions. Such a judgment is collected by execution in the regular way.

There are certain classes of employers who cannot be garnisheed. The government is one, and every government employee is thus safe in so far as having his wages garnisheed is concerned. As a general rule neither county nor city governments may be garnisheed, although there are many cities that may be garnisheed. It is usually a matter of special statute that allows wages of city or county employes to be secured through such procedure. It is not at all uncommon to find county employes exempt and city employes not, both in the same city. The reverse rule is as likely to obtain.

As a general rule any funds in the hands of a third party may be garnisheed on a debt secured by judgment against the man to whom the funds may be due. Wages are the most common object of garnishee actions. As the employer is made the defendant in such actions, it is to his personal interest to see that the debt is paid, thus making it unnecessary for him to secure an attorney to represent him. A garnishment may be brought, whatever the sum due the debtor and irrespective of the latter's exemptions. The sum to be recovered on such an action naturally depends on both. The amount usually recovered is for any sum that may exceed the exemptions, caught by such an action in the hands of the garnishee.

Chapter XIX.

Telephone Evidence.

In a recent damage suit in Detroit the plaintiff in the case attempted to introduce as evidence certain conversations she alleged had been held with her by the defendant in the case. The attorneys for the plaintiff had evidently expected to make a strong feature of certain derogatory remarks made to their client by some one she claimed to know was the defendant.

The evidence thus attempted was not admitted by the Court, as it was very clearly not a matter of evidence at all, neither party to the conversation having ever talked over the telephone to one another under circumstances making it possible for either to absolutely know with whom the other was talking.

Since telephoning is so common, and as so many contracts are made and broken over a telephone, it is valuable knowledge to know just how such evidence may be introduced as a matter of proof in a law suit.

In the first place, any person attempting to prove a telephone conversation with another must have previously talked face to face with that person, and be able to swear that he would know his voice and recognize it when heard. The fact that most voices do not sound the same over a telephone as in ordinary conversation is a feature that must be considered in proving a telephone conversation, and this may only be done by being able to swear that telephone conversations have followed face to face conversations under circumstances that make identifying the voice of a man over

a telephone with that of the same man when heard face to face as a positive and absolutely certain matter. By proving several telephone conversations following a face to face interview it is an easy matter to be absolutely positive that any succeeding telephone message came from the same man.

A good many lawyers attempt to prove a telephone conversation exactly as if it were an ordinary matter of proof in showing any talk between the parties at issue, and as a result are prevented from winning cases where such proof in showing any talk between the parties fails to lay the proper foundation for such evidence.

The attempt is often made to introduce as legal evidence a telephone conversation had by a party to a suit, who "called up" someone whom he supposed was such and such a man. It is impossible to place in evidence a conversation anyone may have had with someone he never saw or previously talked with.

Chapter XX.

The Criminal (?) Debtor.

The tendency to consider the man unable or unwilling to pay his debts as a criminal, and to deal with him as such to the limit of judicial authority is an inheritance of the Dark Ages. There are many who ought to know better who still conscientiously believe any man a criminal who owes or won't pay.

Collection by criminal, or quasi-criminal, process is not only inhuman and contrary to public good conscience, but is decidedly risky as well. There are at times criminal elements to certain credit transactions. Many creditors doubtless find themselves in a position to prove fraud and even crime in connection with certain obligations they are unable to collect. Such a claim in the hands of an ignorant or unscrupulous lawyer or collector is often collected by actually compounding a felony.

The criminal process collector invariably compounds a felony in one of two ways. He either threatens arrest and criminal process, and thus collects by a threat as criminal as the crime itself, or he actually arrests the debtor for a real crime, and compounds the felony by dismissing his prosecution after collecting the money he claims is due.

There is even a noticeable tendency on the part of certain credit interests to secure the passage of legislation making it possible to arrest a certain class of misguided debtors, and place the stigma of criminal on many more unfortunate than vicious, simply to make

their extensions of credit more safe for them and less likely for the debtor.

Such an attitude of mind denotes a realization of our present credit system that is infantile. The very basis of our present economic system is the extension of credit. The freer the extension the better, larger and more profitable the business. There always must be credit losses. As a general rule the larger the losses (not the largest percentage of losses) the larger the profit. Under our present system everyone would be forced into jail if it were a crime to owe money and not pay it. It is not possible for all credit accounts to be paid, either at one single moment, or ever. In the first place there is not, never has been and never can, be enough actual money to pay the country's credit accounts. In the second place the actual buyers, being largely employes, never earn enough to actually pay their essential living expenses.

Confine your efforts to legitimate recoveries.

Chapter XXI.

Collection Defenses.

The following articles on collection defenses are reproduced from regular issues of Business Service Magazine. Each was originally prepared for the purpose of conveying to the laymen a simple yet definite conception of the most common defense met with in the collection of ordinary commercial accounts.

No attempt has been made to quote decisions or engage in any technical exposition that would confuse the average business or collection man. The purport of each article has been general and not specific, that is to say, the general principles underlying each defense have been uppermost in the authors' minds, and not particular instances wherein some states have enacted statutes or rendered decisions in apparent variance with the old common law conceptions.

The first five articles deal with the defenses almost entirely met with in any ordinary suit for the recovery of money due on contract.

The sixth outlines the procedure in a most common situation following the issuance of summons in many assumpsit actions, and for that reason is given place in the series.

The seventh is pertinent in any discussion of recovery for debt, dealing as it does with the first consideration of a creditor following a judgment.

The eighth and last, while not a defense, is a subject that concerns any creditor or his agent in many cases of attempts to thwart recovery under an execu-

tion and for that reason is given in connection with these important subjects.

Each of the first seven articles was prepared for Business Services by H. K. Legg, with slight additions by W. A. Shryer. The article on Fraudulent Conveyances was written for the magazine by Benjamin Levering, of the Chicago Bar, a recognized authority on the subject discussed.

Stripped of all bewildering technicalities these articles have proved of considerable interest and remark. The points emphasized in this series should prevent losses by providing against the contingencies mentioned as salient requisites for defenses under each heading. To foresee possible defenses and thus guard against their being perfected through carelessness or ignorance is the duty of every creditor, and only through a knowledge of the statutes themselves can this be accomplished.

Chapter XXII.

The Statute of Limitations as a Defense.

To the man engaged in the collection or mercantile business the Statute of Limitations is the one most frequently encountered; in the language of the layman, the debtor claims that the account is "outlawed." So frequently is the statute encountered and in so many different ways does it present itself that a few words in regard to it may be of interest and help to any who are connected either directly or indirectly with the adjustment of commercial matters. In this connection we will consider briefly four propositions.

What is the Statute of Limitations? What is its effect upon the obligation? When does it become operative? How can its effect be avoided?

Like most of the laws in force in the United States and Canada, the Statute of Limitations is a direct outgrowth of the old English common law. It is an expression of a principle well known in both law and equity, viz.; that a man must assert his rights with reasonable diligence and within a reasonable time or he will thereafter be debarred from asserting them. In equity the principle finds expression in the equitable maxim: "Equity aids the vigilant, not the indolent." In law the principle was recognized as early as the time of Coke and Blackstone and was expressed in the doctrine of estoppel, "*Interest republicæ ut sit finis litium*;" "it concerns the state that there be an

end of litigation." In one old English case the court in denying the claimant's prayer for relief on account of the long time which had elapsed before he sought redress said, "This man's own act or acceptance stoppeth or closeth up his mouth to allege or plead the truth." The principle has been universally recognized in all countries and all systems of jurisprudence and finds expression in the American system in the statutes of limitations which have been enacted in every state in the Union.

In Michigan the statute of limitations reads: The following actions shall be commenced within six years next after the cause of the action shall accrue and not afterwards, that is to say:

All actions on judgments.

All actions for arrears of rent.

All actions of assumpsit or upon the case founded upon any contract for liability, express or implied.

There are other provisions contained in the statute which are not important for the purposes of this discussion. This statute, with some variations in wording and as to length of time, but the same in substance, is in force in every state. Briefly stated, it means that if A has one of the specified rights of action against B, he must assert that right and pursue his remedy against B within six years or he will thereafter be debarred from asserting it.

A claim once barred by the statute of limitations has no more standing in a court of law than it would had it never existed. In the illustration just used if B had bought goods of A on credit and A had failed to pursue his right of action against B within the time set by the statute he thereafter has no more claim *at law* against B than he would if the goods had never been purchased. However, there is a distinction be-

tween a claim barred by the statute and one which never existed. To attempt to collect money which was never owed would be fraudulent and might be punished criminally as an attempt at blackmail or an attempt to get money under false pretenses. It would be neither fraudulent nor criminal to attempt to collect an "outlawed" claim; the debtor would simply have an absolute defense against any action which might be brought. Accounts finally barred this way can only be revived in the same manner as would an account released by bankruptcy, viz., by a promise in writing to pay or by actual part payment.

This brings us to the most difficult part of the question, namely the application of the statute. When does the statute begin to run against an account or when is an account finally barred? What if anything, will suspend the operation of the statute after it has once started to run? These questions have given rise to innumerable law suits and the reports of the court of last resort in every state are filled with decisions dealing with various aspects of the questions that have arisen. It will be impossible in the scope of this chapter to even touch on all the phases that arise. We will attempt to discuss only a few of the more common phases of the question, especially those likely to arise in connection with the collection business and the adjustment of commercial matters.

The most frequent case in which the statute is encountered is in the ordinary open account. If A is in the habit of buying goods from time to time from B, who is either a wholesale or retail merchant, the statute begins to run at the time A buys the last bill of goods from B or makes his last payment to B on account. Should the account lie dormant for five years and B then make a payment on account or buy

another consignment of goods, the five years the statute has run goes for naught and the statutory period begins again at the time of the last entry on the books. The case of a mutual open account is exactly the same; a mutual open account being one in which A and B are buying goods from each other and paying money to each other from time to time. In this case the statute begins to run at the time of the last purchase of goods or last payment of money by either one. As in the case of an ordinary open account, a purchase of goods or payment on account by either one suspends the operation of the statute and revives the account.

The same general rules apply in all instances. In the case of a promissory note, the statute begins to run at the maturity of the note; in the case of a judgment it begins to run at the time the judgment is rendered; in an account for labor, at the time the last labor is performed or the last service rendered; in an account for professional services, as in the case of a doctor or dentist's bill, at the time the last service is rendered; in an action for arrears of rent, at the time the tenancy was terminated. Any payment on the account, however, suspends the operation of the statute exactly as in the case of an open account. The statute of limitations does not run against an infant until he attains his majority. Should the debtor remove from the state in which the obligation is contracted, the operation of the statute is suspended and does not become operative again until he returns to the state or until the matter has had time to outlaw in the state to which he removed.

In this connection it must be remembered that the statute is purely a matter of defense for the debtor. While it is a complete defense if properly plead and

proven the burden is on the debtor to show that the account is really barred. If he proves his point, however, the court has no alternative but to render a verdict of no cause of action. Should he fail to establish his claim, judgment would be rendered as in any case or should he not appear at the trial or should he fail to plead the statute, judgment would be rendered against him. An appeal to the debtor's honor, however, pointing out that the account is a just one, even though technically barred; that the moral obligation to pay is as strong as ever even though there may be no further legal obligation, will usually result in getting him to make a payment on account; or a letter to him along the same lines will usually elicit a reply promising to take care of the matter at some future date. In either case the account is then revived and can be collected exactly the same as though it had never been "outlawed."

It is a very common belief among debtors that as soon as a bill passes the limit of years set by the statute it is "outlawed," and that thereafter he may ignore it. So many points are likely to arise preventing the statute running against the account during the term mentioned by statute that recovery may often be made if the proper skill and precautions are taken to revive the claim. It is particularly desirable to ascertain the actual term of residence in the state by a debtor claiming the statute has run against an account, as it most frequently occurs that for a material portion of the time allowed he has been without the state, during which time the statute does not run. Moreover many debtors are not aware that small payments during the life of the statute revive the account, and it is often easy to secure small payments that will open up the account and occasion recovery of the entire amount through the regular legal channels.

Where there is responsibility the matter of liability should be most carefully determined, as an apparent running of the statute may often be found most debatable, and in many cases in favor of the creditor despite the belief and actions of the debtor.

Where the responsibility of a debtor is very doubtful it is not policy to waste time proving liability in the face of the statute, although individual cases must each and every one be decided by sound logical business judgment.

Chapter XXIII.

Bankruptcy as a Defense.

It will not be the purpose of this chapter to give an elaborate or exhaustive treatise on the subject of bankruptcy. The aim will be to give a very brief statement of the fundamental bankruptcy laws, the procedure under them and the effect of the bankruptcy proceedings upon the debtor and the creditor.

Bankruptcy was first inaugurated in the Roman law at the time of Julius Cæsar, the English word bankrupt being derived from the Italian "Banca Botta," meaning a "broken bank or bench."

The system was introduced in England in the 16th century, being a distinct innovation on the English common law. Blackstone says in his commentaries, "the English system of bankruptcy was borrowed directly from continental jurisprudence." The first bankruptcy statute was enacted during the reign of Henry VIII, in 1542. This was amended from time to time and was incorporated in the American system of jurisprudence in Article 1, Section 4 of the Federal Constitution. By this section, Congress was given power to establish a uniform system of bankruptcy. The states were at the same time forbidden to "pass any law impairing the obligation of contracts." Full control of bankruptcy proceedings was thus given to Congress and the Federal Courts. The first general bankruptcy act was passed in 1800 and the last general amendment in 1898.

Bankruptcy actions are of two kinds: voluntary and involuntary. In an involuntary action, three creditors whose claims aggregate at least \$500.00 must join in a petition to the U. S. District Courts setting up that the bankrupt has committed one of the several acts of bankruptcy enumerated in the statute, viz: "That he has conveyed or removed property to defraud creditors;" "transferred, while insolvent, property to creditors with intent to prefer part of them;" "that he made a general assignment for the benefit of creditors;" or "that he has admitted in writing his inability to pay his debts."

In a voluntary action the bankrupt files a petition, verified by his oath, in the District Court setting up that he owes debts that he is unable to pay in full; an exact list of all his debts; giving the full name and addresses of the creditors, the amount of the obligations and their nature; a full list of all his property, with a description of same and where it is located. He then tenders to the court all his property to be applied pro rata in paying his debts and asks that he may be decreed a full and complete release from all his debts and obligations.

The court thereupon notifies all parties interested, that a meeting of creditors will be held at a certain time and place. This meeting the creditors may attend, prove their claims, elect a trustee, examine the bankrupt under oath, as to what property he has, what property he may formerly have had and what disposition he may have made of it. This meeting creditors may attend in person, or they may be represented by attorneys at law, or by attorneys in fact to whom they have previously issued either general or special powers of attorney.

At the first meeting a trustee is elected to whom

the bankrupt turns over his property. The bankrupt's estate is handled by the trustee under the direction of the court very much as is the estate of a deceased person handled in probate court. The expenses of the litigation are paid, the bankrupt's exemptions turned over to him, and the balance of the estate paid to the creditors who have filed proofs of claim, share and share alike. The bankrupt then files another petition setting up that he has turned over all his property, that he has complied with the Acts of Congress relating to bankruptcy and asks a final discharge from his debts. This petition when granted by the courts operates as a full release and is a bar forever against any action to enforce liability.

Certain formalities must be observed by the creditors while the proceedings are pending to enable them to enforce their claims and there are also certain requirements which the bankrupt must observe to entitle him to a discharge. Creditors must without fail file proofs of claim within the time set by the court, if they desire to share in the distribution of the estate. Proof of claim is filed by creditor, if he be an individual, or by the proper officer, if it be a corporation or copartnership, making affidavit that the bankrupt's estate is justly indebted to said creditor in the sum of so many dollars, stating the consideration of the indebtedness, the due-date, and attaching to the affidavit an itemized statement or memorandum of the account. This one formality is the only one required of the creditor, but this is imperative, if he desires to share in the distribution of assets. In this connection it might be remarked that knowledge of the proceedings need not be brought to the creditor's attention by actual notice. He may be charged with constructive notice; that is to say, if the court convenes in the city

in which he resides, or if notices of the meetings of creditors and of the bankrupt's petition for final discharge be published in papers having a general circulation in his vicinity, or if the case is one which attracts attention and is discussed in papers circulating in his vicinity, he is presumed to have knowledge of the pending litigation and must file his proof of claim, or be barred from recovery as already pointed out.

One of the chief requirements imposed upon the bankrupt who asks for a discharge is that he keep books of account which will show in full the exact condition of his business and which may be inspected at any time by the trustee or any other Court officer. He must file full and complete schedules of his assets and liabilities and turn over to the trustee all the property of whatever nature and description of which he may be possessed, or which may be held by anyone else for his use and benefit. Fraudulently concealing property may render his discharge void and may also render him liable to criminal prosecution. He must submit to examination under oath at any time by the trustee, the trustee's attorney, or anyone interested in the litigation. Should anything occur during the pending of the proceedings which in the opinion of any of the creditors or their attorneys should bar the bankrupt from his final discharge, this may be set up in a petition to the court asking that the discharge be denied. It then becomes the duty of the bankrupt to answer the petition and show cause why his discharge should be decreed despite the petition.

If these formalities are complied with and a final discharge granted the bankrupt, he then has a complete defense against any action which may be brought to enforce claims. It must be borne in mind, however, that the bankruptcy proceedings and a plea of

former bankruptcy in any action to enforce a claim is wholly a matter of defense, and the burden is upon the bankrupt to establish his claim by competent evidence. Should a summons be issued against him and he fail to appear, a default judgment may be taken against him in the usual course. Should he answer the summons and fail to plead his former discharge in bankruptcy, judgment will be rendered against him. Should he plead his release in bankruptcy in order to establish his position it would be incumbent upon him to bring into court a certified copy of his discharge and to satisfy the court that the plaintiff had had the actual or constructive notice mentioned elsewhere in this article. If he can establish his position a verdict of no cause of action will be rendered in his favor. Otherwise a judgment will be rendered against him in favor of the plaintiff for the full amount of the claim.

As to the methods to be pursued in collecting an account once released by the bankruptcy proceedings, employ the same means suggested for collecting an account barred by the statute of limitations. Appeal to the debtor's honor, to his honesty, and to his ideas of justice and fair play; induce him in this way to make a payment on the account or to make a promise in writing to take care of the matter at some future time. Once he does either of these things the account is revived and can be collected in the usual manner.

There is no common "superstition" more prevalent among the ordinary run of debtors than that of absolute exemption from recovery, once a man has filed a petition in Bankruptcy. This superstition prevails to a large extent even among lawyers, and hundreds of cases have come to our notice wherein the attorney for a bankrupt possessed only a most rudi-

mentary idea as to procedure in pleading a proper defense in such cases. But a small percentage of lawyers know enough to present proper proof in a suit at law where the defendant has at one time filed a petition in bankruptcy. We have known of several who presented as a defense that the defendant had *filed* a petition only, after allowing the time to pass within the limit of which an application should have been made for final discharge, but never had been. A number have been known to plead that a discharge in bankruptcy, wherein no mention had been made of the debt at issue, same having been overlooked or forgotten by the debtor. One attorney even went so far as to attempt securing a restraining order from the United States Court, several years after said court had lost all jurisdiction over the debtor through his final discharge.

Many debtors rely on a valid discharge in bankruptcy to protect them from any judgments in the future, ignoring any summons until too late. A judgment against a bankrupt that has passed the limit of appeal operates against him absolutely, as he is barred from a remedy in equity, as "he who seeks equity must come with clean hands," and a bankrupt is not considered without flaw in a court of equity.

Chapter XXIV.

The Statute of Frauds as a Defense.

At the outset of this chapter the writer desires to call attention to and emphasize a statement made in the article on The Statute of Limitations as a Defense, namely that these chapters are designed to cover only general propositions in general terms. Every state has its own statutes, differing more or less in wording and intent, and these statutes have been construed by the courts of the several states in the many decisions which are to be found in the reports. The statutes vary and the decisions are not in all instances harmonious. To attempt to classify and to reduce them to harmony in these short articles would be absolute folly and the idea of the writer is to cover general propositions and to answer some of the questions which most frequently confront the credit man and the commercial adjuster. Especially is this true in the present article on the statute of frauds. It is probable that no other branch of the law has occasioned so much litigation as has this; and it is also probable that in no other branch will one find the law in so unsettled and chaotic a condition.

The statute of frauds was introduced in the English Parliament in 1673 and was finally passed in 1677, being the 29th statute of Charles II, entitled "An Act For Prevention of Frauds and Perjuries." Its purpose was stated in the preamble to be "for prevention

of any fraudulent practices which are commonly endeavored to be upheld by perjury and subordination of perjury." The wording of the statutes in this country leads one to believe that this was the idea which actuated those who secured their enactment. The statutes as enacted by the various states each contain a number of provisions but practically the only ones which interest the commercial man are contained in the following section copied from the statutes of one of the states:

In the following cases specified in this section, every agreement, contract or promise, or some note or memorandum thereof, be in writing and signed by the party to be charged therewith, or by some person by him thereunto lawfully authorized, that is to say; 1—every agreement that by its terms is not to be performed in one year from the making thereof; 2—every special promise to answer for the debt, default or misdoings of another person; 3—every promise or undertaking made upon consideration of marriage, except mutual promise to marry; 4—every special promise made by an executor or administrator to answer damages out of his own state. Of these provisions the one most frequently encountered is the 2nd, which in the Old English statute reads:

"To charge the defendant upon any special promise to answer for the debt, default or miscarriage of another person." A typical instance under this section would be the following very common one. A says to a merchant, "let B have certain goods and I will see that you are paid," or "if he doesn't pay you I will," or "I will see that you get your money alright," or he says, "let B have certain goods and I will pay you." Later B fails to pay for the goods; he is not a responsible person, or in the language of the

layman, he is "not collectible;" A is "collectible." In which of these instances, if any, can A be made to pay for the goods which were delivered to B? In only one of the four instances, the last, can A be held responsible for the goods. The reason is this; in the first three instances the debt becomes the debt of B and only in the event of his failure to pay does the merchant have any occasion to look to A. In other words, A has promised to pay the debt of B if B does not; it is a promise to "answer for the debt of another" and falls within the statute. In the last instance A says "let B have the goods and I will pay for them;" in this case it becomes the debt of A. The merchant even though he may charge the goods to B on his books, is never obliged to look to him for his pay, but from the outset may look to A. There is no promise on the part of A "to answer for the debt of another" and the promise does not fall within the statute.

This is a typical instance and an analysis of the situation will reveal the line of reasoning used by the courts and the reason why A is held liable in one instance and not in the others. The rule laid down is that a *collateral* agreement falls within the statute and must be in writing to be binding; an *original* agreement does not fall within the statute and need not be in writing to be binding. In the first three instances in the illustration, A's promise to pay was contingent upon B's failure to pay and is held to be collateral and unenforceable; in the last instance his promise is not contingent upon anything and is said to be original and enforceable. The language of the statute is perfectly plain and in the illustration used the line of demarcation between an original and a collateral agreement is very plain. But instances occur in

which the line of demarcation is not so plain and to apply the principles stated to the many different sets of facts that are to be found is what occasions the difficulty and gives rise to the great amount of litigation.

Perhaps the simplest and best way of illustrating how the principle stated may be applied would be to show how it has been applied by the courts of last resort in matters that have come before them. The following cases are those that have been decided by the courts of the several states and may be said to be typical. Two instances which illustrate the matter of a labor claim are these from Vermont and Michigan respectively. In the former, A wished to employ B; B remarked to C that he did not know A, but that he would work for him if C would agree to pay him if A did not. C made this agreement. A failed to pay B and B sued C for his wages. The court held that the promise of C was a collateral agreement, contingent upon the failure of A to make payment, and was void since it was not in writing. In contrast to this is the Michigan case in which a logging contractor said to a sub-contractor: "I understand your men are worried for fear they will not get their money. You may say to them that if they will stay to the end of the season we agree to pay them every dollar that is coming to them." In this instance the court held that the promise of the contractor was an original undertaking, binding upon him and that the men could collect their money from him. Along the same line as the last decision is one in which a physician made several calls upon A; B then promised the physician that he would be responsible for the services rendered. The court held that for the services rendered subsequent to the agreement, B's promise was an original

one and he was liable for their reasonable value. But for services rendered prior it was a collateral promise and not binding. The question of whether or not the oral promise of a widow to pay for her husband's nursing and care by a physician is binding has been before the courts and they have held that it is not. Her written promise would be binding, however. In distinction from this is the case in which A agreed to pay B's funeral expenses if B's son did not. B's son had never assumed any liability nor made any promise to pay. The court held that there was no debt against B's son and that the promise of A was original and binding.

In the case of a promissory note it has been held in several instances that an oral promise to pay the note at maturity, in case the maker does not, is within the statute and void. However, numerous instances have arisen in which the payee of a note has transferred the note to a third person before maturity, either as part payment for something purchased or for cash, and has orally guaranteed the payment of the note. In these instances the courts have held that the promise was an original and binding one. A verbal promise to pay the debt of a minor has been held not to come within the statute for the reason that there must be a recognized liability which the guarantor assumes. A minor is incapable of contracting debts and a promise is therefore not a promise to pay his debts but an original contract to pay one's own debt.

The only other section of the statute which the credit man or the collection man is liable to encounter is the section relating to the promises of executors or administrators to answer damages out of their own estates. This means a promise by the executor or administrator to become personally responsible for the

debts of the decedent. In this instance the same general principles apply; to hold the administrator liable on an oral promise it must be clearly shown that it is an original undertaking on the part of the promissor; otherwise it falls within the statutes and is void.

These principles may be applied to every set of facts that may arise. As stated before, the difficulty lies in applying the principles to the facts. In any possible set of facts, analogous to the ones mentioned, there can be no recovery from the surety or guarantor unless the conditions of the statute are complied with. The statutes quoted provides that the agreements mentioned would be void; in this it differs from the original English statute and from many of the American statutes in that they provide, not that the agreement shall be void, but that no action shall be maintained unless the statute is complied with. The latter makes the statute a matter of defense and throws the burden of proof upon the defendant who must show that the statute was not complied with; while the former throws the burden on the plaintiff and he must show that the statutes have been complied with. In either instance the effect is the same in so far as it bars recovery by the plaintiff. The written agreement must of course be based on a sufficient consideration the same as any other contract. It need not be a formal instrument but may be any "note or memorandum" "signed by the party to be charged therewith" expressing the intention of the parties. The only thing for the credit man to do is to see when he accepts a guaranty that it complies with the law, otherwise he is left without redress. The commercial adjuster, when he receives such a claim and attempts to enforce it, should have a careful consultation with the client and see if the guaranty is such that a recovery can be had under the

law as stated. If it can be had then proceed with it in the usual manner, pointing out to the debtor how he is liable; if an action can not be maintained, return the account and cease working on it. It would not be criminal or fraudulent to attempt to secure an adjustment but would be a waste of time for which no remuneration would be obtained.

Chapter XXV.

Infancy as a Defense.

The law on the subject of infancy is fairly well settled; much more so than in any of the subjects previously treated in this series of articles. General rules may be laid down which are statements of the law in practically every state in the Union; the law is simple, comparatively well defined and in no instance does it lead one into any of the complex situations so common under some of the branches of the law previously considered.

The term "infant" as used in the law is practically synonymous with the "minor" of every day life; in fact the two are used interchangeably. Webster's definition of an infant is "a child in the first period of life, beginning at his birth;" a definition given by one of the courts is "one who has not attained his majority." The time when a person attains his majority is fixed by statute; being the age of 21 in the case of a male, and varying in the case of a female, in some states the age of majority being fixed at 18 and in others at 21. Before attaining his majority or while he is an infant, a person is said to be under disability and is not held responsible by the law for his deeds. This freedom from responsibility extends to all his acts, and he is not held accountable for his torts or crimes to the same extent that a mature person is nor are contracts which he may make enforceable against him in the same way as are the contracts of an adult. It will not be the purpose of this chapter to consider

the liability of an infant for his torts or crimes; but rather to show what is the effect of the contracts he may make, when they may be enforced against him, and also when his parents may be held liable for contracts which he may make. In what instances he is liable for debts he may contract or goods he may purchase and in what instances the father may be held liable.

The freedom from liability which the law gives the infant is handed down to us from the days of the common law and is designed as a protection to the infant. At common law many persons were under disability. As the husband was considered to have absolute authority over the family, and as the property of the wife in most instances belonged to him, the married woman, "*femme covert*," as she was called had practically no capacity to enter into contracts or carry on business. People of unsound minds, idiots and lunatics, were given the protection which their infirm condition demanded and their contracts could not be enforced against them. In like manner protection was granted the infant on account of his youth and inexperience, and his contracts in the majority of instances could not be enforced against him. The disabilities of a married woman have largely been removed by statute, this subject being taken up in a later article. But the protection afforded the infant by placing him under disability still exists.

As a general proposition it may be said that contracts of an infant are voidable and not void. That is to say, the infant may avail himself of all rights and privileges thereunder if he sees fit and may enforce the contract against the party with whom he contracts. But should the second party attempt to enforce the contract against the infant he could in a majority of

instances interpose a plea of infancy and he would have an absolute defense against any and all liability. A void contract could not be enforced by either party to it and it would stand in the law the same as though it had never been made. A voidable contract could be carried out and has the same status as any legal contract; the sole difference being that its enforcement can be avoided by one of the parties, hence the name voidable. As already stated the contract of an infant is in most cases voidable and not void. He may when he attains his majority ratify, either expressly or by implication, any contract made during infancy and it then becomes absolutely binding the same as though made by an adult in the first instance. But this is carrying us into the field of the practicing lawyer, rather than the field of the credit department. Our concern is with the contracts that can be enforced against the infant and his parents and it is to them that we will turn our attention.

As a general proposition it may be stated that an infant can be held liable only for necessities. The rule has been laid down by one well known authority to be that "infants may avoid all contracts which may be prejudicial to them, but are bound by all reasonable contracts for their maintenance and education." This is a very good statement of the law and expresses the law as it exists in most of the states today. But even then there must be a clear showing that the goods purchased were necessities. The same court which laid down the rule quoted above has held that when an infant resides at home, is under the care of the father and is supported by him that the infant is not liable for necessities even though the father is poor and unable to pay for them. It was held in this case that the plaintiff must show a refusal or neglect

of the father to furnish them. We are of the opinion however that the last case goes a little further than the majority of the courts go in relieving an infant from liability. In accord with the rule first stated is an opinion from another state in which it is held that "an agreement by a minor for necessities is binding on the minor as far as it has been executed by the parties, if it be not so unreasonable as to be evidence of fraud or undue advantage."

As to the liability of the father for necessities furnished an infant it may be said that it is the duty of the parent to support the infant, especially while the infant is living at home and giving his services to parents. This matter has been regulated in most of the states by statutes, and where it has, it simply remains for one to consult the statutes of his own state. But where no statutes have been passed the matter rests on the common law theory. Under the common law the weight of authority seems to be that the legal liability of the parent rests upon implied authority from him to purchase necessities. Under the common law the parent is not liable for anything only necessities nor is he liable for necessities if he supplies them or stands ready to do so. His judgment is also respected as to what constitutes necessities except in so far as the articles furnished may relieve the infant from actual want. If the infant voluntarily leaves home and works for wages which he himself collects, the father will not be liable for necessities unless the authority of the father to the infant to make the purchase is conclusively shown. But where the infant is driven away from home the authority of the father to the child is presumed. In all instances a promise by the father to pay for necessities is binding and if he permits another to furnish necessities, not objecting but

rather advising and consenting, it is presumed that he undertook and promised to pay a reasonable price therefor.

What constitutes necessities depends a great deal on the facts of the particular case. What would be necessities in one case would be luxuries in another. In all instances anything which removes the infant from absolute want is a necessary; this would include food, shelter, sufficient clothing to protect the body, medical attention when it is necessary, etc. The standard of what would constitute necessities would rise as the station in life of the parties advanced. In the cases of an infant whose associates were wealthy, or whose environment necessitated a greater expenditure than would be necessary to relieve him from actual want, clothing, lodgings and possibly jewelry of such character as that worn by his associates, would probably fall under the head of necessities. In all instances such an education as would be usual in one's station in life would be considered a necessary.

Another situation which one meets more or less frequently is the case of an infant who is engaged in business. This occasionally gives rise to some rather complex situations. But they are seldom encountered by the credit man. The rights and liabilities of an infant partner are frequently before the courts and have given rise to considerable litigation. As a general rule an infant is not liable on his partnership contracts any more than he is on any other contract. One case which was before one of our Supreme Courts for decision, was that of an infant who had bought a horse to use on a farm. The plaintiff sought to establish that as the infant was engaged in farming, the horse with which he was doing the work was a necessary. However, it appeared from the testimony that the infant rented

the farm from his mother and in the agreement she was to furnish all tools and horses. The court accordingly denied the plaintiff's claim on the ground that the horse was not a necessary as the agreement was that the mother was to furnish them. It refrained from deciding whether or not had the infant agreed to furnish the horses, the horse would have been necessary. This case serves to illustrate conditions which occasionally rise when attempts are made to hold the infant liable for necessities, even though his purchase may not be anything to supply his bodily needs.

The protection afforded the infant and his freedom from liability undoubtedly work injustice in a great many cases; an infant may contract obligations which, if he be unscrupulous, he may avoid paying by establishing the fact that he was an infant when the obligation was contracted. Probably more injustice is avoided by the protection as it makes it almost impossible for an unscrupulous adult to defraud the infant by dishonest practice. One of our courts has said that one who deals with an infant does so at his peril for the infant can enforce the contract while the other person can not. To be on the safe side it is better never to enter into a contract with an infant unless one is practically certain of his honesty and integrity. His honesty is by far the best protection one may have in dealing with him as the plea of infancy in a majority of cases is an absolute answer to any claims on the part of the other person, no matter how unscrupulous or dishonest the actions of the infant himself may have been.

Chapter XXVI.

Liability of Husband and Wife.

It frequently happens that a study of the history of any institution and the conditions under which it has developed will disclose its fundamental ideas and theories and give a logical explanation of things which to the casual student would look like mere arbitrary rules. This is essentially true in the case of marriage. How the family came to exist as a social unit is not known. Several theories are advanced but they are theories pure and simple and lack conclusive evidence to establish them. The "Horde" theory, which is held by some, maintains that in the days of savagery and barbarism clans would be formed for the reason that "in union there is strength." The women would prepare the food and clothing while the men hunted game and fought the battles with the neighboring clans. It also maintains that the men and women of any particular clan lived together like a drove of animals and that finally the instinct of male jealousy led each man to choose one woman as his own and that this was the primitive family. Other theories are advanced, but however the idea first originated, certain it is that from the earliest historical times we find the clans and tribes divided into families.

The modern marriage, that is a monogamous marriage, is essentially a Christian institution. It is mentioned in the second chapter of Genesis and both marriage and divorce are mentioned throughout the Old and New Testaments. None of the people of early

historical times knew marriage as it exists today. Marriage was contracted by the parties at their pleasure and they divorced themselves the same way. Under early Hebraic law a man could send his wife away whenever he liked. The same conditions existed in Greece. In Rome the parties could mutually agree to separate and that ended the marital relation. Later their agreement had to be made in writing and signed in the presence of several witnesses but it was valid even though there was no reason for it. In England we find the modern conception of marriage existing at a very early time. The common law recognized the Christian marriage, that is monogamous marriage, which could not be dissolved at the pleasure of the parties. Blackstone says that the law considers marriage in no other light than a civil contract. This view is not held by modern authorities, however, and it is doubtful if it was ever a correct statement of the law. A more correct view, substantiated by the great weight of authority, is that marriage is a status based on and growing out of contract. The Supreme Court of the United States has said: "Marriage is an institution founded upon mutual consent. The mutual consent constitutes the contract, and the marital relation is founded upon and springs out of the contract." It is unnecessary for the purpose of this chapter to enter into a discussion of who may and who may not contract marriage; or of what constitutes a valid marriage, and what a void or voidable marriage. We are more concerned with some of the incidents of the marriage.

The law has always resorted to a legal fiction and recognized a theoretic unity between husband and wife. The husband and wife are one and at the common law the husband is *the* one. This may sound like

a crude attempt at jest but it is an absolute statement of fact and in this statement may be found an explanation of the law of husband and wife from the earliest common law times to the present day. Under this theoretic unity the legal existence of the wife was suspended during marriage and merged into the existence of her husband. Her services belonged to him absolutely; any and all personal property which she might own at the time of the marriage became his sole property, while the title to real property which she might own vested in him during the marriage. If the husband died first the wife became legally alive and her real estate became hers again to do with as she saw fit, but her personal property had become part of the estate of her husband, and was gone from her forever. It naturally follows that as the legal existence of the wife was suspended during marriage she could not make a legal contract. Many of the disabilities of married women have been removed by statute, and we will now consider some of the rights and liabilities of the parties under both the Common Law and the Enabling Statutes as they are called.

The liability of the husband for debts contracted by his wife both before and after marriage gives rise to most of the questions which arise under this subject.

One rule of law which was universally recognized at common law, and which is still recognized, is that inasmuch as the husband took the wife with her estate and fortune so he took her with her debts and liabilities. In other words the husband was and is liable for all debts contracted by the wife prior to her marriage. This is true even in the case where the husband is an infant. This presents a somewhat anomalous situation but the law again resorts to legal fiction and says that he stands not as an infant but as a mar-

ried man. It really amounts in some instances to holding him liable on a contract made by the wife on which he could not be held liable if he had made it himself. A second instance in which the husband is held liable is for necessities furnished the wife during cohabitation. What was said on the subject of necessities in the previous chapter on Infancy is applicable to this case. The liability of the husband is based on an implied agency, or implied authority from the husband to buy the necessities. As was pointed out in the chapter on Infancy no arbitrary standard can be set as to what constitutes necessities; it is a relative term. The word necessary as used in this connection is in a way interchangeable with the word suitable. And so food, clothing, jewelry and whatever else may be deemed suitable to the parties' position in life are deemed necessities for which the husband is liable. In this connection it might be well to call attention to the fact that it is the apparent position of the parties and not what may be discovered to be their actual position that is considered.

When the husband and wife have ceased to live together the situation is not so simple and the dealer who furnishes the wife necessities seems to be thrown more or less on his inquiry. The law seems to be that where a wife leaves the husband on account of his misconduct, and through no fault of her own, that she is still his wife and he is bound to support her to the extent of paying for necessities supplied; but where she leaves the husband under circumstances where he is blameless and the fault is hers he is not liable. And the dealer is bound to show in enforcing the liability against the husband that the fault was his and not the wife's.

Turning to the wife's liabilities we may say that the

wife is never liable for the husband's debts; in fact, in many States she is forbidden by statute to bind her separate estate for her husband's debts. And we may say as a general proposition that it is the duty of the husband to support the family and she is never liable for necessities which may be furnished them. This latter statement is subject to some exceptions, however. The credit may have been given to the wife and not to the husband and then the husband cannot be held liable. For illustration, the wife might own property and the husband own none; the dealer would be willing to extend credit to her and would extend credit directly to her. Then the husband cannot be held liable.

As to the contracts which a married woman may make in regard to her own separate estate this is entirely statutory. As already pointed out a married woman had no capacity to contract at common law. Her disabilities have been removed in all the States by statute but as the statutes of the various States differ and have been construed differently by the courts a study of the statutes and decisions is the only way to get positive information. It may be said, however, that so far as her personal property is concerned the wife may do with it as she may see fit and is liable for all contracts she may make in regard to it. For instance, if she owns a carriage she may sell it and give good title; or she may contract with a workman to repair it and she is liable for his pay. As to her real property the situation is not so simple. As already pointed out, she cannot be held for her husband's debts nor in some States can she bind it to secure his debts. It is well settled that the legislation has not resulted in a complete emancipation of the property rights of married women and there is a line

of cases which holds that to entitle a wife to her estate she must keep it separate from her husband's; that if she allows it to be mingled with her husband's property and lets him use it as his own she may lose her rights as against her husband's creditors. The Supreme Court of the United States has held that in a contest with the husband's creditors the burden is upon the wife to show by affirmative proof that the property which she may claim as her own was paid for out of her separate estate. The law is not well settled in regard to this matter and in many other instances the statutes and decisions lack uniformity. For instance, some States allow a married woman to become surety, while others do not; some hold that she may become a partner with her husband in business, while others hold that she cannot. But these matters are not of great importance in this connection.

By way of summary we may say that the husband is liable for debts contracted by his wife prior to their marriage. After the marriage he is bound to support her and is liable for necessities furnished her unless she has left him through no fault of his. As to the wife we may say that she is rarely liable for her husband's debts, and that she is never liable for necessities furnished the family unless the credit is extended directly to her. At the common law she had no capacity to contract, but she has been given power by statute to make contracts in regard to her separate estate and that so far as the statutes have removed her disabilities she may make contracts and the contracts are valid. The only way to tell how far married women's disabilities have been removed in any particular State is to consult the statutes and decisions of that State.

Chapter XXVII.

Set-off and Recoupment.

In this chapter we are considering a subject which in its very nature is very much more technical than any of those previously considered. The subjects treated in former articles, while technical in their application, have certain general principles which could be applied by the layman as well as the lawyer and it is not necessary to go into court to apply the principles set forth in the former articles. Set-off and recoupment, however, have to do solely with the defendant's rights after an action has been started in court and only in the most general way can the rules be applied outside of a court proceeding. The ordinary use of the terms as though they were synonymous, is somewhat misleading. Recoupment was known by the common law and had a meaning vastly different from the meaning of the term set-off which is a statutory defense and was unknown to the common law.

The president of one of our great universities once remarked that laws grow the same as walks were built on the campus. Students would go across the campus by a certain route until a path was worn, which would demonstrate the need of a walk, and the walk would be forthcoming. So, he stated, it was in the development of law. Conditions would be found that would demonstrate that existing laws were inadequate; the need for the laws would be shown and the laws would be forthcoming, either by legislative enactment, by in-

corporation in court decisions, or by development through popular usage and custom. So it is in the case of set-off and recoupment; it shows a steady growth and development from the time when its need first became apparent in the common law practice. In the common law there were fixed and arbitrary rules to which all cases were made to conform. In many instances exigencies would arise which none of the laws were adequate to meet. It was the custom to apply a rule which most nearly conformed to the case and great injustice was often done. So a system developed whereby the common law rules were to be changed and modified to meet the particular cases that might arise. Out of this system of modification and relaxation developed the Court of Chancery and there were also developed many changes in the common law practice, among which changes was the defense of recoupment.

The word recoupment is derived from the French word "recouper," meaning "to cut again." It is a term difficult to define accurately and most of the authorities have been content to give a description rather than a definition of the word. It signifies a cutting off or keeping back of part of the plaintiff's claim in satisfaction of cross claim or demands of the defendant growing out of the same transaction or contract on which the plaintiff's claim is founded. In its original sense it amounted merely to a right of reduction from the plaintiff's claim on the ground that his damages were not as high as he alleged. The circumstances under which it might arise were multitudinous. For illustration: A leased a house to B; A made certain covenants to repair. He failed to make the repairs and B was damaged as a result of the failure; B then failed or refused to pay the rent. The common law

remedy for this state of affairs was two separate actions; one by A against B for his rent, and one by B against A for damages for the failure to make repairs. Each might get judgment against the other; one might have property from which the judgment against him might be collected, the other would have nothing and the judgment against him would never be paid. This worked injustice and at the same time made two suits necessary where one would suffice. It has always been the policy of the law to avoid a multiplicity of suits; so to avoid the injustice that often arose and at the same time to obviate the necessity of having two law suits where one was sufficient, a system of recoupment was developed and established. It existed at first merely by virtue of recognition by the common law judges and through the intervention of the Court of Equity; later it was established by statutory enactment.

One authority has said that "recoupment looks through the whole contract, treating it as an entirety, treating the things done, and stipulated to be done, on one side, as the consideration for the things done, and stipulated to be done, on the other. When either party seeks redress for the breach of stipulations in his favor, it sums up the grievances, on each side, instead of the plaintiff's side only, strikes a balance and gives the difference to the plaintiff, if it be in his favor." At common law and under the early statutes a judgment could not be found for the defendant even though his claims against the plaintiff should be found to exceed the amount of the plaintiff's claim against him. This has been modified by statute, however, in most, if not all of the states and the defendant can now recover a judgment on his cross action. In general, the modern law of recoupment may be said to be

embraced in the following rules: (1) The defendant's claim of recoupment must arise out of the same contract or subject matter as does the plaintiff's claim. (2) The claim of the defendant must be one on which he could maintain a separate action. For instance, if a minor should buy a horse from him and should later sue to recover back the purchase price of the horse he could not recoup for the use of the horse since he could not maintain an action against the minor for its use. (3) Some authorities hold that his claim must be one which existed at the time the plaintiff's suit was instituted; while others hold that it may be one which arises any time before pleading. The weight of authority seems to be that the claim must exist at the time suit was started. (4) The defendant must elect whether or not he will set up a claim by way of recoupment or in a separate action. When he makes such an election it is final and should he be defeated in his claim he cannot afterwards institute a separate action to establish it. The matter is *res adjudicata* and any further action is barred, either by separate action or claim of recoupment. (5) The defendant assumes the burden of proof and must establish his position according to the rules of evidence the same as he would if he were plaintiff in a separate suit. (6) The practice on the defense of course, varies in different states. In Michigan, where issue is joined by a plea of the general issue and notice of any special defense such as "Accord and Satisfaction," "Failure of Consideration," etc., the rule is that notice of a claim of recoupment must be given the plaintiff and this is the general rule, varying with the practice in the several states.

The circumstances under which a claim of recoupment may be made are numerous, but a few illustra-

tions will suffice to give the general idea of it. The illustration already given of recoupment by a tenant for the landlord's breach of his covenants to repair is a typical one. So also in an action for rent, the tenant may show that the lease comprehended lands which were not included and that he was damaged thereby. In an action for wages the employer may show that the employe did not work for the stipulated length of time and that he was damaged; that he did not do his work in a workman-like manner; that the contract has not been fully completed; that the employee was negligent in the use of the employer's property and damaged it; or that he did not use reasonable skill in the performance of his work. In an action for the purchase price of goods the defendant may show breach of warranty or damage arising from the failure of the plaintiff to ship the goods at the specified time. In an action to recover for the price of building a house the defendant may show that the building was not completed at the time mentioned in the contract and that he lost rent thereby. Many other illustrations might be given but these are typical and are most frequently encountered.

Set-off is a statutory defense which did not exist at the common law and it follows that a study of the statute giving the defense is the only way to thoroughly master it. Unless positively embraced within the statute the claim will be denied and the defendant left to a separate action. It is a development from recoupment, but differs from it in several important particulars. The most radical difference is that the claim of set-off need not rise out of the same transaction. If A sues B for rent, B can claim by way of set-off that A owes him for labor performed, or for goods sold him or money loaned him; he can, in fact, set-off

practically any claim growing out of contract. A second difference between set-off and recoupment is that in a case of set-off the amount of the defendant's claim must be liquidated or be capable of being ascertained by calculation. But any claim which must be passed on by a court and jury to ascertain its amount cannot be a matter of set-off. In recoupment the claim need not be liquidated. The Supreme Court of one of the states has been given as a definition of a liquidated claim one in which "some specific amount, or some specific data from which such amount can be calculated by an ordinary mathematical process, shall have been arrived at;" in any other event the claim is not liquidated and is not a subject of set-off.

There are various provisions in the statutes of set-off of the several states which are more or less similar and in many instances are practically identical. The most general requirement is that the claim of set-off must arise on contract or judgment. If the demand to be set-off be a judgment it makes no difference on what cause of action it was recovered. The claim must be actually due the defendant in his own right, either in the first instance or by a bona-fide assignment. It must be due at the time the plaintiff's action is commenced and must exist against him or his assignor if he is suing on a contract assigned to him. Unlike recoupment, the defendant is not left to his election by many of the statutes but must plead his claim if he has a valid set-off or be thereafter barred from asserting it. As in the case of recoupment, as it has been modified by statute, judgment may be rendered for the defendant if his claim exceeds that of the plaintiff. Most of the statutes require that the defendant give notice of the defense of set-off when he intends to avail himself of it. The defendant as-

sumes the burden of establishing his claim the same as he would in a separate action. If the reader desires to ascertain the exact condition of the law in his own state he must consult the statutes and decisions of that state. The main propositions are set forth here, however, and a little study along the lines laid down will disclose the law in any state.

Chapter XXVIII.

Exemption Statutes.

For the first time in these chapters on defenses, we are considering a subject which does not date back to common law, nor does it even date back to the early English Statutes. The early idea was that a debtor **MUST** pay his obligations or be severely punished. His duty to pay was considered paramount to every other consideration, and not only all his property and earnings, but even his person were subject to execution to satisfy his debts. The only thing at which the law stopped was the taking of human life. A man could not be killed for failure to pay his debts but he could be confined in the foul, ill-kept prisons of the time and unless he came into some money by inheritance or otherwise, or his friends assisted him in paying the obligation, he could be kept there until he died. And not only did the debtor suffer, but his family could be deprived of everything but the scantiest wearing apparel. They could be deprived of home, food, tools and all the wherewithal with which to earn a livelihood. In short, the creditor, if he so desired, could be as cruel and grasping as Shylock and the law would assist him to get his "pound of flesh."

It naturally follows that the statutes of exemption enacted by the various states are in derogation of the common law. They were passed largely from motives of humanity and benevolence, but were also dictated somewhat by what we may term public policy.

Not only was it cruel to the debtor and his family to deprive them of all means of livelihood, but by depriving a man of his liberty, or even taking away those things on which he was dependent to earn money, it made him a pauper and a public charge and deprived him of all means of paying his debts should he desire to do so. Being entirely a statutory matter the only way in which positive information could be given would be to list here all the items of property which the statutes of the different states exempt from execution. This is manifestly impossible and the only way one can get the information is to consult the statutes of his own state and find just what is exempt and what is not exempt from execution.

As a general proposition it may be said that the exemption laws of no state will allow a man to be deprived of his liberty or the means of earning his livelihood. Body execution can be had in most of the states, it is true, but only in certain cases, and then more as a punishment for some tort or wrongful act. For illustration, if a man should make false representations to a merchant as to his credit and the amount of property he owned for the purpose of securing goods on credit, the merchant could, in most states, bring a *capias* action against him under which he could be imprisoned; so if a man bought personal property under a contract of sale in which the title remained in the seller until the goods were paid for and should then dispose of them or conceal them, the vendor could take out body execution on the judgment. In most of the states an action against a man for seduction or breach of promise to marry may be so brought as to give a right to imprison him in case the judgment obtained is not paid. But in all these instances the imprisonment is more as a punishment

for the wrong and the fact remains that a man cannot be deprived of his liberty for a contract debt.

As to the property which a man may hold exempt from execution it is enumerated in the statutes and the statutes of no two states are alike. However, exempt property does fall into certain general classes. One of the most common exemptions gives the tools which a man uses in his trade. Under this would be included the tools of a carpenter, mason, blacksmith or any mechanic. It would be confined, however, to such tools as he needed to earn his livelihood and would not enable a carpenter, for instance, to hold several hundred dollars' worth of carpenters' tools as exempt. Nor could he hold them under this statute if he had abandoned the carpenter trade. A statute somewhat analogous to this one, but broader in its application, includes practically all the tools, implements and appliances which any man may use in his business or vocation. Under the statutes in this class are usually included the farm implements of a farmer; the library and instruments of a professional man; the piano or other musical instrument used by a music teacher upon which she relies for support. In this case, as in the case of the statutes just considered, the article or property claimed as exempt must be actually used by the debtor in his business to fall within the statute. Closely allied to these two statutes, and having in mind the same general proposition of not depriving a man of his means of livelihood, is another class of statutes which make exempt from execution, teams, wagons, horses, etc. While the statutes differ somewhat in their wording and are construed somewhat differently by the courts, the same general idea runs through them and the horses held to be exempt are such horses as a farmer uses on his farm or a

teamster or truckman uses in his business, and such wagons or vehicles that are used in the same way.

Another line of statutes which have to deal more with the comfort and conveniences of a man and his family make household furniture up to a certain value exempt; they also include wearing apparel, food and provisions of certain value or sufficient to last a certain period of time. For the same reason the head of the family has certain exemption in the wages he has earned; some states giving him, free from garnishment, all the wages he may have coming if they are needed for the support of his family, while all states give him an exemption of at least a certain per cent. of them.

Then there are general statutes exempting particular things which do not fall under any classification. An illustration of this would be a Michigan statute which makes a sewing machine used in the home exempt. In most states a man has a certain amount of personal property exempt irrespective of its use. Likewise a merchant frequently has a certain amount of stock exempt. Farmers are usually given sufficient seed to enable them to plant their crops. Most states have a homestead exemption consisting of a certain amount of land in the country or a house and lot of not to exceed a certain value in the city. As already stated, a study of the statutes of one's own state is the only way to learn what is liable to execution and what is not.

It is undoubtedly true that the exemption laws are many times abused and that they enable many a dishonest debtor to escape payment of obligations he is well able to pay. On the other hand, they prevent a grasping creditor from depriving a man and his family of all their comforts and means of livelihood. The

creditor can use judgment in the matter of extending credit and in this manner prevent serious losses to himself. On the whole the exemption laws may be said to be good and to work substantial benefit even though the privileges they confer, like all other privileges, are sometimes abused.

Chapter XXIX

Fraudulent Conveyances.

Credit is the life of trade. It is essential to the continued preservation of business that the giving of credit be made safe and that those willing to give it should be protected. Creditors are, therefore, a favored class under the law.

In the days of ancient Rome, an insolvent debtor might be sold into slavery or put to death. If he had several creditors, they might dismember his body. Ever since those harsh days, civilization has recognized the necessity of safeguarding the interests of the creditor, who supplies the lifeblood for the arteries of trade.

But, because of the hardship worked by such severe statutes upon the right-meaning but unfortunate debtor, slavery and the death penalty as punishment for insolvency have long since disappeared.

With the mitigation in the severity of the punishment, many debtors, no longer fearful, began to attempt to defraud their creditors by conveying away the real or personal property which would have been subjected to the payment of their debts. The common law in England protected creditors under these circumstances and the famous statute of the 13th Elizabeth, which provided that all conveyances or dispositions of property, real or personal, made with the intention to defraud creditors should be null and void as against creditors, was declaratory of the common

law. Nearly all of the states of the Union have passed laws following this statute.

What is a fraudulent conveyance? The great authority, Chancellor Kent, declared a conveyance to be fraudulent when its object or effect is to defraud another, or when the intent with which it is made is to avoid some duty or debt due by or incumbent upon the party making the transfer. The intention is of the first importance. Unless a conveyance is made with a good intent and upon a bona fide consideration, it is fraudulent.

If fraud be present, the manner in which a debtor seeks to transfer his property is of no importance. The use even of sheriff's deeds, the assignment of a note, life insurance policy or patent right, the giving of a deed of trust or a mortgage, a fraudulent judgment or a fraudulent attachment are equally unavailing to effect a fraudulent transfer. Even the purchase of property with the debtor's money in the name of a third person is held fraudulent, although such a purchase is not literally a transfer of property. If the debtor conducts a business in his wife's name, or in that of any other third person when the business is in fact his own, the fraud renders the property acquired or used in the business subject to the payment of his debts.

What is the effect of a fraudulent conveyance? In most of the states, the effect of such a transfer is that it is absolutely void as to creditors and subsequent bona fide purchasers both in equity and at law, if they see fit to impeach it. But as between the parties to the transfer, it is binding.

The creditor who wishes to impeach a fraudulent conveyance must be able to show that he has been injured, and that he is an existing creditor—that is to

say, one who has obligations against the debtor at the time of the transfer, although his claims may not have matured, nor been reduced to judgment until after the transfer.

As a general rule, a general creditor (that is, one who has no special security) must first establish his debt by a judgment and acquire a lien upon the property by the necessary steps. But in order to avoid the circuitry and delay occasioned by the rule requiring the complainant in equity first to recover a judgment at law, it is now provided in many of the states that a creditor at large may file a bill in chancery to subject to the payment of his debts any property that has been fraudulently transferred, or conveyed by his debtor, so that only one suit is necessary to obtain the proper relief in these jurisdictions.

Of course, a creditor by a decree in chancery for a specific sum of money is entitled to the same relief against the fraudulent conveyances of his debtor as a creditor by a judgment at law.

The law regards the legal title which the debtor has once possessed to be his still, so far as his creditors are concerned, in spite of any transfer he may have made in fraud of them. The law considers that such a transfer has no power to divest him of his legal title. Therefore, a creditor of the fraudulent grantor may conduct himself and treat the property as if the deed had never existed. If his claim has been reduced to judgment, he may levy his execution upon the property and subject it to sale for the satisfaction of his debts. In some cases it has been held that this may be done without reference to the question whether the debtor possesses other property, or whether there are other defendants having property liable to the same judgment. In cases where the creditors' claim has

not been reduced to a judgment, he may, as a provisional remedy levy an attachment for which the fraudulent conveyance is a sufficient ground.

The case is different with land purchased by the debtor and the title to which has been taken by a third party in fraud of creditors. Here, the debtor's interest in such land constitutes an equitable and not a legal asset, and in some of the states it is held that such land cannot be sold as the property of the debtor, since there has never been any legal title in him. Where the debtor has had title and fraudulently disposed of it, there is something for the judgment lien to take hold of and the execution to operate on, but not where the debtor has never had title. In such a case, the creditor's remedy is in equity. There are some states, however, in which it is held that an execution may be levied upon such equitable interests, and that the purchaser may go into court of chancery to perfect the title obtained under the sale.

Where property has been transferred by a number of conveyances as a result of acquiescence in a plan to defraud the creditors of the grantor, all those who participated in the fraud may be joined as parties in a single action to set aside the conveyance, although the defendants set up and claim different interests in separate parcels, and although each is charged only with fraud in his own purchase.

It is not enough to have a good case; one must be able to prove it. The evidence is always of the most vital importance. On account of the nature of fraudulent conveyances—the elusive character of fraud—the greatest difficulty encountered in such cases is that of obtaining the evidence necessary to prove the facts alleged.

The fundamental rule as regards the burden of

proof is that it falls upon him who alleges a fact. Therefore if a party desires to set aside on the ground of fraud a deed valid upon its face, the burden is upon him to show the fraud. Fraud will never be presumed and wherever the circumstances are as consistent with honesty as with dishonesty, a transaction will be upheld. The complainant must therefore prove the fraudulent intent of the grantor and notice thereof of the grantee, in cases where the grantee paid an adequate price for the property, or where other matters are brought out tending to prove the transfer bona fide.

A presumption of fraud may arise in many ways, and such a presumption makes it incumbent upon the person claiming under an attacked conveyance to show the bona fide character of the transaction. A frequent instance is where an insolvent conveys property to a near relative—although the mere circumstance that the parties are nearly related will not alone raise an inference of fraud. And where the vendor has remained in possession of personal property, a presumption of fraud is raised, so that it becomes necessary for the vendee to substantiate the fairness and good faith of the sale, for change of possession is an element in and a natural consequence of the sale of personal property.

As to the consideration, the burden of proving it falls upon the grantee or those claiming the benefit of the deed, in those states where the deed or the recital of the payment of consideration therein is not evidence of such payment as against a stranger, or a creditor of the grantor attacking the conveyance as fraudulent. But where a deed is considered prima facie evidence of a consideration as against creditors, the burden, of course, rests upon those who impeach

it, who must show want or inadequacy of consideration and that its object was to hinder, delay or defraud creditors. Generally, after the fraudulent intent has been shown, it devolves upon the grantee to show that value was given. *

Post-nuptial settlements, where the husband is indebted, are very suspicious and are presumed voluntary. They are void as to existing creditors, unless those claiming under them can show that they were made for a valuable consideration. In the case of near relatives, the grantee must prove the consideration or the previous existence of the indebtedness for which the conveyance was made. After the creditor has shown fraudulent intent, the grantee, claiming to be a bona fide purchaser must show that he gave value and that he was without notice of the grantor's fraud.

But this fraudulent intent—how can it be shown? Men's motives are not susceptible of direct and positive proof. They can only be arrived at by a proper consideration of acts and declarations. Fraud is rarely perpetrated openly, but is surrounded by all the precautions that can be taken to prevent discovery and exposure. Its operations are circuitous and great sagacity and industry are required to expose them. Therefore, it is necessary that great latitude in the evidence should be permitted. Any evidence tending to show inability on the part of the grantor to meet his obligations is admissible in order to show that he was in embarrassed circumstances. Circumstantial evidence even is admitted to prove fraud.

As it is a fundamental principle of law that everyone is presumed to intend the natural and inevitable consequences of his own act, if a debtor executes a deed which must necessarily defraud his creditors, his declaring that he did not intend it to have that effect

is of no avail, as it is contradicted by the evidence of his own act.

There are numerous instances which experience has shown so frequently accompany sales, conveyances and transfers intended to hinder and defraud creditors that they are known as badges of fraud. They vary, as man's ingenuity in evil varies. Where they occur, if they are sufficient in number and importance and are not explained, they will be sufficient grounds for believing a transaction void.

Where, for example, as a part of the contract for the sale of land, it is agreed that the vendor shall retain the use and possession of the property conveyed for a definite or indefinite period of time, this, unexplained, is the reservation of a benefit to the grantor, and renders the conveyance void. Again, if when a chattel is sold, it is agreed as part of the bargain that the vendor shall still have a right to use the thing sold, such a reservation is inconsistent with an absolute sale and avoids it.

The conduct of a sale in an unusual way, and not in the ordinary course of business is a badge of fraud.

An unusual degree of secrecy, an excessive effort to give the transaction the appearance of fairness, the buying of property for which the purchaser has no apparent use (as in the case in which a lawyer bought a stock of broom-corn), buying a stock of merchandise without taking an inventory, these are badges of fraud. And inadequacy of consideration, the inability of the maker of a conveyance to produce any memoranda of the antecedent debts which he claims constituted the consideration, a sale of goods upon long and unusual credit, a failure to take security, where the vendee pays nothing—these are further examples of badges of fraud.

No matter how much a man may feel inclined to make presents of value to his family or friends, the law will not allow him to do so, when by so doing he lessens his ability to pay existing creditors, for it is one of the fundamental rules of ethics and the basis of the law of fraudulent conveyances that "a man must be just before he is generous."

Chapter XXX.

Important Hints on General Letter Writing.

While it is a very general presumption that the business man knows a good business letter when he sees it, and is able to construct one himself, it is a regrettable fact that so few understand the essential principles of a model business communication.

Before attempting to construct his own collection letters from the many suggestions contained in Volume two, many a business man will find it desirable to master a few general principles, even a review of which may be found desirable for the letter writer of more than ordinary experience. Considering that an elementary exposition of letter writing itself will not be amiss, we have incorporated in this chapter a number of valuable points on the general subject. To those of considerable experience the information may suggest little not before practiced, but to those without an actual experience in letter writing of any kind the entire chapter will be valuable.

The rules governing the construction of a forceful, logical business letter have been evolved from economical necessity. The rules of general English composition should apply as much as possible in the construction of the body of any letter. The demands of business economy, however, permit a diversity of style limited only by the good writer's versatility. The object of every business letter is to tell, unmistakably, what

its writer intends to say. It is a vital thing in a letter to tell your story in as few words as possible and STOP.

A business letter is divided into three parts.

First: The opening.

Second: The body.

Third: The close.

Long usage has made certain forms of opening and closing a business letter a conventional thing. It is nevertheless a most uncommon occurrence to receive a letter that does not lack some essential detail in its composition. Although a wide latitude is allowable in the body of any letter there are certain forms that should be observed in the opening of every letter. These forms are more or less arbitrary, but are based on a real business economy.

THE OPENING.

The first step in writing any business letter is to properly date it. A business letter need not necessarily be written on printed stationery; but the best impression presumes the possession of a business connection sufficiently important to warrant its use. Every printed letter-head should have a *date line*. The date line is not necessarily a printed line, but is the space following the name of town and state. The latter should appear below the body of the letter head and slightly to the right, as follows:

Detroit, Mich.

The date on a letter should be so written that no error can arise as to the *exact* date. Wherever the space on date line permits, the date should be written in full, and not abbreviated. The names of short months should *never* be abbreviated. The *year* should always be plainly written, as business letters are in-

tended to be filed for reference and an error or confusion as to the date may at any time cause complications. The date should be written as follows:

Detroit, Mich., June 1, 1909.

Never use apostrophes or possessive marks in writing a table.

The following is an objectionable form. Do not use it:

Detroit, Mich., Jun. 1st, '09.

The following is also a bad form. Do not use it:

Detroit, Mich., 6—1—'09.

Always use the numeral for the day of the month, as 2, 10 or 25, and not 2nd, 10th, or 25th. The reason for this is more easily appreciated by examining any old letters, the date lines of which have been written and not typewritten. The date when properly written shows at a glance, whereas following the day of the month with nd, th, rd, etc., often makes it necessary to closely study the writing to establish the correct date.

After correctly dating a letter the form of address should be properly observed. There are two very important reasons for correctly addressing every letter. The first is based on its effect on the man or firm receiving it. The man to whom you write a letter is invariably annoyed by any misspelling or abbreviation in his name. Therefore, in answering any letter carefully copy the name, *in full*, from the letterhead of your correspondent. If he uses no printed letterhead copy his name exactly as he signs himself. Nearly every man is somewhat sensitive in this regard, foolish as it may appear, and as the purpose of every letter is to *impress*, a good impression should not be spoiled by carelessness. If a man's name is Charles, and he so

spells it, do not address him as Chas. If you know his first name to be Charles *never* address him as C. If he uses his initials to sign his own letters, address him so. If he signs his name C. A. Brown, address him C. A. Brown and not Chas. Brown, or Charles A. Brown, even if you know his name is Charles.

The second reason for correctly addressing every letter is that of obtaining a perfect carbon for filing. A carbon copy of every typewritten letter should be made and filed properly under the name of the man to whom it is addressed. It is, therefore, important to follow the name with the full street address wherever it is known. This is a rule that many do not follow. Many business men dictate a letter and allow the address to be put on the envelope alone. This is a bad plan, as original letters may be lost or misplaced and future reference to a carbon copy will then show no identifying feature except the name of town or city. A correct address is as follows:

Mr. Charles A. Brown,
212 Fort Street,
Detroit, Michigan.

Dear Sir:—

The above is a strictly conventional form of address. A more compact form is favored by the writer, but such changes are purely matters of opinion. To my mind an easier written and neater style is the following:

Mr. Charles A. Brown,
212 Fort Street, East,
Detroit, Michigan.

Dear Sir:—

The matter of margins is also a matter of personal opinion or habit. Some use very wide margins irrespective of the length of letter, but unless elite type is

used the most common margin is an inch on each side of the body, the first paragraph starting ten spaces (on a typewriter) from the left. The matter of salutation, in a strictly business letter, should be confined to one or two forms. Start your letter after the address with either "Dear Sir" or "Gentlemen," as the case may be. My very dear Sir, Honored Friend, Dear Gentlemen, My dear Sirs, or any of several dozen fanciful salutations are absolutely unnecessary, a waste of time and usually in questionable taste. The salutation has absolutely no use whatever, and no significance is attached to it except by lovers. Therefore in all cases use either Dear Sir or Gentlemen.

After correctly addressing your letter the next step should be to start it in a businesslike fashion. As almost every letter refers to something that went before, you should establish a definite time relation, wherever possible. If you are answering a letter, reference should be made to the date on which the letter was written to which yours is a reply.

The opening paragraph of a business letter should be as brief as possible, and *tell* something. In my opinion the very best form is as follows:

"I have received your letter of the 15th inst."

For a great many years it was considered objectionable to use a personal pronoun except when necessary. This prejudice occasioned the wide use of the participial construction, as:

"Replying to your letter of the 15th inst.," etc.

Either form is strictly correct.

As the opening paragraph should introduce the subject matter and at the same time identify the exact date of letter to which you reply I consider covering both advisable, as follows:

"Your letter of the 15th requesting information as to procedure in several cases received, and will be answered point by point by me."

Or, "I am glad to receive your letter of the 15th reporting such good progress."

Do not say, "I beg to acknowledge your favor of recent date."

There are a great many expressions that have been worn out by over-conventional use. Avoid all stilted phrases as much as possible and instil as much individuality in your opening paragraph as you can. There are a number of opening phrases that should be avoided. Do not say:

"I beg—

"I would say—

"In reply to same—

"Your valued favor—

"Your welcome letter—

"Am glad to hear from you—

"Your kind letter—

"Your letter to hand—

"Your esteemed letter—

"Yours received—

"Contents noted—

Never write anything in a letter you are not sure is correct. If you have any doubt to as the correctness of the phrase or word, avoid it. Confine your opening paragraph to establishing the date of connection between your letter and its occasion for being written, and a simple statement of what you propose writing in the body of the letter. The more simple your form of opening paragraph the safer you will be, and the more sure of correctly expressing your meaning and intention.

THE BODY OF A LETTER.

In order to write strong, forcible business letters some knowledge of English composition is absolutely necessary. A letter may be written by one possessing little knowledge of the most correct English and, furthermore, may be strong and to the point, but it is never as forcible as one observing correct composition values.

In learning to write effective business letters the forms and usages observed in elegant narrative are not essential, nor are the same rules followed. A business letter is not expected to exhibit the polished, even flow of expression so necessary to correct narrative style. A business letter is presumed to eliminate everything foreign to the subject under discussion. It should be as short in all cases as a complete statement of essentials will allow. Business men are too busy to admire an elegant flow of words unless every word tells something.

However, a certain uniformity of logical expression should be cultivated. The best method of acquiring a strong style is to practice. Write a certain letter dealing with the definite expression of some actual subject. One most frequently demanding business letters is the best. After writing it once carefully study it sentence by sentence. Try to rewrite each sentence in an entirely different manner, and still retain the exact meaning. In the practice of this exercise you will soon note that what you really expected to write in the first place was not at all what you did write. Polish each sentence time after time if necessary until every one expresses exactly what you mean to say and in the very best manner. A slight amount of practice will soon convince you that there is ample room for improvement. The more you practice improving, the easier it

will become. In a short time you will find it possible to think ahead almost the whole length of an ordinary letter, and be able to write every sentence with small waste of words or effort.

The matter of strong,*logical, forceful style is absolutely dependent on practice and study. Every business man should force himself to both study and practice. No one is in possession of the exact thoughts that every business man wishes to communicate, and with the cultivation of the art himself he is able to do better than any one he may be able to employ.

Although style can be learned only through practice, form and appearance are easily acquired, and should be the first steps mastered. As almost every business letter is now written on a typewriter we will assume in the discussion that follows that such a method of expression is the one at your command.

The business man, in writing his own letters or in dictating, should insist on a uniform style of expression and appearance. A uniform margin should always be followed. The best margin on a typewriter is ten spaces, and all paragraphs should be indented the same distance from the margin of the letter, as the letter is to the outside of the letter sheet edge.

Notehead paper should always be written in single space. In using long letterheads a short letter should always be written double space. The spaces between paragraphs depend a great deal on the length of the letter, but ordinarily twice the spacing distance should be observed between paragraphs as that used in the letter itself.

A one-page letter is always desirable for ordinary letters. For that reason single spacing proves most effective and useful. It is a great annoyance to the reader of a business letter to have a long letter run

over to a second page. It is harder to read, harder to answer and more troublesome to file.

Cultivate the habit of saying all you have to say on one page. This is possible in all but very rare exceptions. The exceptions are usually occasioned by the violation of one of the most important rules now being enforced by business houses of any consequence. This rule is that no business letter shall discuss more than a single subject. It is an excellent plan to learn and practice this rule. If you wish to write to one person on a number of subjects write a single letter covering each subject. This is particularly important in the collection business. In the latter it is exceedingly bad form to write about a dozen or more claims in the same letter. Write a dozen short notes if necessary, but learn to write about one subject and only one subject in a single letter. By following this rule the general mastery of good business letter form is much easier.

It is a simple matter to acquire the habit of correct paragraphing and correct punctuation when but a single subject is discussed in one letter. A paragraph should deal with one single phase of the subject under discussion. A paragraph may consist of but one sentence. If that sentence tells all you wish to say about one certain portion of your subject make a paragraph of it, but do not start a new paragraph until a logical stopping place is reached. By this do not understand that a letter dealing with one subject should be a one paragraph letter. Long paragraphs are not desirable, and at times should be cut in parts rather than have a letter both unsightly and hard to read.

It is much easier to correctly paragraph your letters by practicing with short sentences. A sentence must not deal with more than a single idea. Long sentences,

except when composed by experts, are invariably involved. An involved sentence is worse than none at all, because a confused meaning is worse than none. Confine yourself to simple short sentences, and be very sure in any single paragraph that each sentence follows the other logically, carrying out the meaning with no confusion.

One of the most common errors leading to confusion of meaning is changing the tense of verbs. A rule to be thoroughly learned is that in any sentence but one tense is to be used throughout. You must not say, "I talked with the cashier and he says the account balances." Say, "I talked with the cashier and he said the account balanced."

In practicing and even in actual letter writing you should never be without a dictionary. Never use a word whose meaning is not absolutely clear to you. In practicing never fail to look up any word whose meaning confuses you. In practice never use a word you are not sure of, and if no means of investigation are convenient use some other word you *know* answers the purpose.

Practice, and practice alone, assures proficiency, and it is well worth hard work and a great deal of it, for every business man is forced to depend on good letters to get business, to keep it, and to expand it.

THE CLOSE OF A BUSINESS LETTER.

Having discussed the elementary requirements of a proper introduction, as well as the essential points to be considered in relation to the body of a good business letter, we will discuss a few well recognized principles in a manner sufficiently explicit to make unnecessary any future reference to the close of general business correspondence. In it we will assume that two classes of letters mainly concern you. One is composed of

communications to friendly correspondents, and the other to indifferent or hostile recipients.

Unless a letter is for the purpose of driving home an unpleasant truth or with the avowed object of enforcing an unwelcome demand it should be the object of the writer to close it as courteously as possible. In remembering a letter or being moved to act on account of it the emphasis depends on the skill displayed by the writer in the body of any communication. A personal feeling of either good will or hostility may be most consummately effected through a skillful wording of the closing paragraph. As last impressions are ordinarily most persistent it is desirable to cultivate a style of closing that will insure a favorable after-effect.

All good business letter writers for this reason will be found employing a form of closing tending to accentuate this result. For the most part it is considered purely formal and conventional to close a letter by some courteous set phrase. The real basis for the polite ending is so much more vital than conformity to convention that the excuse for it should be understood and employed to the full, that a more effective result may consistently obtain.

With this thought in view cultivate a form of close as individual as possible and make it a point to inject as much real cordiality in your last paragraph as the subject or its importance will justify. As the salient points to be discussed in any letter should be succinctly outlined in the body a single sentence is sufficient to courteously end any business letter. It is wise to avoid the habit of using a single set phrase, however appropriate it may seem for ordinary occasions. Vary your closing paragraphs as much as possible, and refer to some idea contained in the body wherever feasible.

The following are good examples of the idea mentioned:

"Assuring you of my desire to co-operate in every possible way to perfect our mutual interests in this question, I remain,

Yours respectfully."

"Trusting that you fully appreciate my desire to forward your best interests in this settlement, I hope to receive an early authorization to continue the campaign outlined.

Yours truly."

"You may be assured of my desire to bring this discussion to a speedy termination that your wishes may be fully realized without prejudice to my own conception of the rights at issue.

Respectfully."

"I wish to express my appreciation of your efforts to bring about such a satisfactory realization of our joint plan, and at the same time place at your disposal any future assistance it may be within my power to afford.

Yours respectfully."

Be as simple and direct in your closing paragraph as possible. In many cases the subject discussed is neither pleasant nor open to any proffers of good will or co-operation. In such cases close your letter in a diplomatic fashion. It is often possible to create a feeling of respect and even good will by expressing a regret that no occasion for either appears to be warranted. An example of such an ending is expressed by such a close as the following:

"I regret that your position on this subject prevents a more cordial reception of my gratitude, and trust that future developments will fully justify my reluctance to accede to your present request.

Yours truly."

"Much as I condemn the inevitable results of such a stand as that taken by you I hope that on future occasions we may find more grounds in common.

Yours truly."

The idea to be emphasized in these two forms of closing is that in the absence of a direct purpose to antagonize for a well-considered end every letter is the better for a courteous expression in the final sentence. Even a non-committal, conventional close is preferable to a brusque or careless winding up of any letter of the slightest importance. Practice this, bearing in mind that ordinary courtesy does not mean a flattering "jolly" or an empty phrase. Inject a little real good will and the results will well repay the effort.

The matter of a graceful or well-turned close is a matter of practice, but as in the opening paragraph, there are certain forms and usages that should be learned.

The most simple rules should govern the "last words." A business letter should ordinarily end with one of a very few well recognized combinations of two words. "Yours truly," "Yours respectfully" or "Respectfully" are always safe. The use of any other phrase is not ordinarily either good form or safe. Neither of these three really mean anything, nor should you attempt in so closing every business letter to convey any special meaning. You are supposed to say everything in the letter itself.

Never use "Yours" or "Truly." Under no circumstances use "Your obedient servant," or "Ever yours," or any one of some hundreds of similar fanciful or bombastic endings. Confine yourself to the three mentioned. "Yours truly," "Yours respectfully" or "Respectfully" may always be used with perfect good form, and only in very rare cases may any other be consistent with good taste or good form.

In a strictly formal business letter where you are not

writing as an individual, but rather as a representative of a firm or business, sign

THE BROWN CO.

Per W. A. BROWN,
Department Manager.

In such case sign the full name of the business and indicate your official capacity. If writing in a certain capacity for any business where it is desirable to have an answer directed to you be very certain that your name is sufficiently legible to allow perfect direction. If you are writing strictly for the firm it is not at all necessary to sign your name in any capacity, the signature, "The Brown Co.," being sufficient, or your initials as "Per W. A. B." serving ample identification. In order to identify the letter at some future date, as well as the stenographer, it is well to always have the typist place in the lower left hand corner her initials following your own, as "W. A. B.-G. M."

Letters between friends dealing strictly with business subjects or business letters in which no formality is desired are sometimes ended by the name and address. In such cases the opening is a simple salutation, as, "Dear Mr. Brown:—" At the close, "Sincerely yours," or "Yours sincerely," is supplemented in the lower left hand corner by:

To Mr. James Brown,
125 Dearborn St.,
Chicago, Illinois.
W. A. B.-G. M.

Such closing forms are unusual, and while perfectly correct, are not as desirable for general correspondence as the usual forms of closing above outlined.

Never write or stamp at the close of a letter; "Dictated but not re-read." It is the height of business discourtesy, although employed by many firms that

should know better. It implies one of three things. First, that the writer wishes to avoid possible responsibility for his statements, by leaving a loophole through which some stenographer may be forced to take the blame; second, that the writer considers the letter of too little importance to correct, or third, that the writer wishes to impress the recipient with an exaggerated sense of the former's tremendous correspondence. Neither is flattering or in good taste.

In closing this discussion of the elementary essentials of business correspondence it is fitting to mention the favorable effect of a neatly worded, carefully stamped letter. Fold every letter with scrupulous accuracy, see that it is properly addressed before sealing, and place the stamp in the upper right hand corner where it belongs. Ragged folding, careless enclosures and stamps askew in the middle of an envelope create an unfavorable impression before a letter is even opened. Every letter should serve a purpose, or not be written. That purpose should be to strengthen the influence of the writer, and to that end strive to add, rather than detract, from the sum total of your influence.

Chapter XXXI.

Collecting Through Skilled "Forwarders."

The most efficient body of forwarders in the United States and Canada, without any question, is the Co-Operative Bureau of The American Collection Service. Its organization and development will be described in this chapter, in connection with a brief review of the essential factors of the forwarding situation.

Bodies of forwarders are, of course, necessary elements in the collection field for the handling of outside or foreign business. There are a number of forwarding mediums; many of them composed exclusively of attorneys, others of collecting and reporting agencies, and a number combining attorneys and agencies. Lists of these are published periodically. Some are bonded, others are not. The only purpose accomplished by bonding is to guarantee the safety of all funds actually collected, but there can be no real guarantee as to efficiency of service. The collection service afforded through the average forwarders' lists is not of a very high grade. One reason for this lies in the fact that representation is purchasable for a certain sum, covering a stated period, without the necessity of complying with any requirements except of a general nature.

It should not be inferred from this that there are no good forwarding lists. There are, but their number is small in comparison with the whole. A compendium of those which can be regarded as reliable is appended to Chapter Five.

The unsatisfactory general situation as to the handling of forwarded business by lists of attorneys and others, was impressed forcibly upon the Shryer Mercantile Agencies of Chicago and Detroit. Both offices had large volumes of foreign business, and the poor results from the use of forwarders led to the formulation of a plan whereby absolutely dependable service could be secured. The strength of the plan was in its entire simplicity. It was to train men, through correspondence instruction, in the elements of scientific collecting, to act as foreign representatives for the Shryer Mercantile Agencies. These men were to be taught the successful Shryer collection methods, so as to insure their efficiency in the collection of accounts entrusted to them. The plan was put into operation in 1907.

The original idea of sending students business embraced making every graduate a correspondent of The Shryer Mercantile Agency, as well as a local collector for his section. At the same time it was designed to handle all forwarding claims for the student body through the same medium. At that time and for several months no adequate conception of the vast volume of this stream of business was entertained. On enrolment every student was sent such business in his city as needed attention for The Shryer Mercantile Agency's clientage. Every student in turn sent in direct all "Foreign" bills needing attention.

The large volume of forwarding business secured by students throughout the country soon made this manner of "Clearing" unwieldy. It also entailed a certain amount of delay that often interfered with quick and effective action, such as the nature of many important claims demanded. Students and graduates were constantly sending in to us direct such an increasing flow

of business as to make some adequate method of handling it imperative. The conception of forming a Co-Operative Bureau to receive and handle this business suggested itself, and plans for its establishment as a permanent adjunct to membership in the Service were submitted to students and graduates alike. Their enthusiastic reception of the idea convinced us of the practicability of the suggestion, and a working system was soon adopted. It was decided to afford every student a membership in the Bureau, thus giving him the services of a skilled medium for the collection of all out of town accounts that came into his hands. In order to furnish him with a quick method of getting his claims into action as soon as received, plans were effected for publishing an "official organ" of the Bureau.

This Official Organ was entitled the "Quarterly Directory," as it was published every three months, with each revision showing the new agencies established since the date of the latest Directory. This plan was continued for over two years and resulted in a reputation for the Bureau that enrolled among its users some of the largest forwarders of collection business in the country, in addition to its constant use by the entire Bureau membership. During the life of the Quarterly Directory the Bureau membership grew so fast in both influence and numbers that a more frequent publication became imperative, and in March, 1910, the Directory was changed from a Quarterly to a Monthly. It now appears every month in Business Service magazine. Every member represented in the Monthly Directory thus has his business placed before the readers of Business Service every month, and through this enviable publicity receives forwarding business the value of which may be well imagined. Business Ser-

vice numbers among its subscribers a large number of business firms who take the magazine for no other purpose than to avail themselves of the Directory List, through which they are able to send business and get results more effectively than through any other channel.

Every reader of Business Service is entitled to use the List for forwarding purposes, but no one except American Collection Service graduates are entitled to representation in it. Outsiders can not secure the publication of their names in the Directory. Any member failing to give an honest, efficient service at all times can not continue as a representative. No such collection medium can be secured anywhere, and the demand for the current issues of the magazine for it alone completely exhausts every issue a few days after each is published. Representatives secure two-thirds of the commission earned by the forwarder through whom he secures the business, the forwarder being entitled to one-third. The commissions run from 10 per cent. to 50 per cent., the average commission being 25 per cent.

The requirements for Bureau membership and directory representation are exacting to a degree. It is necessary that the student be well qualified in every particular to handle collections of every class and to render prompt, honest and intelligent service. Upon completing the course, every student makes application for membership and representation by filling out a blank which calls for the following: Agency title; full address, street and number, city, county and state; four references, including three from clients and one from a bank.

He must then affirm with his personal signature, first, that he has actively conducted a collection business for at least three months. This insures practical

experience, that the man may know just how to handle the business and that he is equipped to give the right kind of service. Second, he binds himself to acknowledge the same day received, all collections sent to him through the directory of the Bureau; and third, that he will answer within three days every request for information regarding business sent to him. These insure immediate acknowledgement and prompt reports. These features are more important than would appear at first glance. The "good old-fashioned" methods ignored acknowledgments and reports, consequently leaving and keeping the creditor in the dark regarding the disposal or progress of his accounts. This unsatisfactory and unbusinesslike element has been eliminated on all business handled through the Co-Operative Bureau. Fourth, he promises faithfully to remit every dollar collected within ten days of its recovery. It is hardly necessary to dwell upon the evil of delayed, and in extreme cases, withheld, remittances. Co-Operative Bureau service is singularly free from this factor, not alone because of the stringent requirement to which every member must subscribe, but on account of the fine class of men from whom they are recruited as well. Fifth, he must affirm that he has in his possession no funds belonging to any Co-Operative Bureau member. This needs no detailed explanation, as it is in line with the preceding requirement. Sixth, he agrees to forfeit representation for any breach of good business conduct in connection with any forwarded business. This final clause is construed in a broad sense to cover any infraction of established ideas of business ethics and conscientious operation as well as the preceding regulations.

Every issue of the Bureau Directory carries at the head a notice requesting users of the list to notify

immediately the Complaint Department of any dereliction on the part of a member in the handling of business sent to him through the Directory. An immediate investigation follows, and if it is found that the Bureau member in question has been at fault on any count, representation is withdrawn permanently. If necessary, such further action is taken as may be indicated by the circumstances. Great pride is taken in the fact that complaints have been very few in number and in most cases of a comparatively trivial nature, adjusted quickly to the satisfaction of all concerned.

The high efficiency and prompt, satisfactory collections are due to the fine equipment of the members in having been trained by The American Collection Service system, and the high class of the men themselves. They are interested in the work through publicity in the leading business publications, such as *System*, and the standard periodicals. The campaign is aimed to attract ambitious and energetic men. Even were the members not disposed to work along recognized business lines in the handling of accounts sent to them they would be dissuaded from such a course through fear of losing the privilege of representation. As this representation is productive in every case of a large and profitable volume of the best class of collections, it is too valuable a privilege to be risked for slight temporary gain of a questionable nature.

Every detail of the organization and development of the Co-Operative Bureau has been worked out so carefully and surely that it has grown to be, without any doubt, the best medium for the United States and Canada on collection business. Every important city and town in the United States is covered, as well as the important points in Canada. The Bureau has established representatives in the following foreign

countries: Mexico, Philippine Islands, Porto Rico, England, Australia, New Zealand, Bermuda, and students will shortly be entered to membership from Japan, China, India and South Africa. "The sun never sets on the Co-Operative Bureau." Even though the list is exceptionally thorough as it is now constituted, a constant effort is being maintained to increase its numbers and the points covered.

It is distinctly to the best interests of every business house or person with outside collections to use the list of the Bureau exclusively, as through no other channel is there the possibility of securing as good service. As has been noted above, the list is published in the monthly issues of Business Service Magazine. A regular subscription to the magazine would be advisable as changes and additions are made each month and to secure the best results it is well to have the up-to-date list at hand for ready reference. It must be remembered, in this connection, that the directory list is only one feature, though important, of the Magazine. Each issue contains editorials and ably-written articles on active collection questions, with discussions by experts, and valuable suggestions along every line of collections. Business Service Magazine is edited by W. A. Shryer. The subscription price is \$1.00 for the year. Subscription should be sent to the Subscription Department, Business Service Magazine, 1000 King Building, Detroit, Mich.

KF 1024 S56

Author	Shryer, William A	Vol.
Title	Collecting by letter	Copy

Date	Borrower's Name

